

**CANADIAN WORLD FUND LIMITED**

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Managed by:



**MorganMeighen**  
& ASSOCIATES

Investment Managers



**CWF**

Canadian World Fund  
Limited

2005

GLOBAL  
OPPORTUNITIES

3

*Third Quarter Report*  
September 30, 2005

# Report to Shareholders

Over the twelve-month period to September 30, 2005, Canadian World Fund Limited's (CWF) net asset growth retained a substantial lead against its benchmark, the Morgan Stanley All-Country World Free Index converted to Canadian dollars, up 17.2% vs. 8.6% for the index. This, no doubt, contributed to the strong CWF common share performance, up 17.3% year to date and 20.6% over one year.

However, at September 30, the last day of the quarter, the Canadian dollar – think “petro dollar” – soared to a 14-year high against the U.S. dollar and continued to crush most other main currencies involved in the portfolio. The quarter concluded with a net asset gain of only 1.3% vs. the modest 1.5% gain of the index, both expressed in Canadian dollar terms.

Historically, the U.S. market has been one of the best performers but recently it has been beset by a slide in consumer confidence perhaps stemming from discomfort with the international war effort, hurricanes and raging fuel costs.

Across the Atlantic, in the U.K., consumers are seen as highly indebted and have gone into savings mode after years of over-spending. The housing market and the economy seem close to stalling. We note, on the other hand that, like Canada, the U.K. is still self-sufficient in oil whereas the U.S., most of Europe, and many Asian countries are not.



Jonathan A. Morgan, Vanessa L. Morgan and Michael A. Smedley, Chief Portfolio Officer of the Manager

In China, the strongest economy, stock markets remain the worst performers, down about 10%. Regionally, around the world, superiority is shown by Eastern Europe and Latin America.

For now, we suggest that Canada could stay best of class for its natural resources and “petro dollar” strengths for the balance of the year and beyond. We shall continue to pursue our global bottom-up stock selection strategy.

**Vanessa L. Morgan**  
Chairman

**Jonathan A. Morgan**  
President & CEO

## Top Ten Investments at Market\* – September 30, 2005

(Portfolio details on pages 8-9)

	%		%
The Stanley Gibbons Group Limited - United Kingdom	4.3	Orco Property Group S.A. - Luxembourg	2.4
Apple Computer Inc. - United States	4.0	HDFC Bank Ltd. - India	2.2
Grupo Financiero Banorte, S.A. de C.V. - Mexico	2.7	Pan-Ocean Energy Corporation Limited - Canada	2.2
March Networks Corporation - Canada	2.7	Google Inc. - United States	2.2
Sprint Nextel Corporation - United States	2.6	Indiabulls Financial Services Limited - India	2.2
		<b>Total</b>	<b>27.5</b>

\*Excludes cash.

## INVESTMENT COMMENTARY

CWF's global portfolio continued through the third quarter well weighted by U.K. and U.S. markets. The period of sterling and U.S. dollar weakness was negative for the portfolio and all other major portfolio currencies were also well down against the Canadian dollar. This broad weakness might persist while oil and gas prices stay high. As we do not hedge the portfolio, we look for adjustment of stock positions and might well increase our Canadian segment of the portfolio under this strategy.

Notable successes include Central European Distribution Corporation, a U.S.-listed major liquor, wines and beer distributor in Poland. One of the portfolio's best performers of late has been Apple Computer Inc. Apple's share price is up 66.5% to September 30 as the sparkle of its iPod division continued to defy the critics and the company's innovative management of computer products continued to succeed. Revenues and earnings are at record highs.

In the U.K we added three positions to the portfolio in the third quarter. Arbutnot Banking Group PLC is a recovery stock with a high dividend yield. Autonomy Corporation plc is a recovering leader in infrastructure software for enterprise – a tech bubble survivor. Royal Dutch Shell plc is now fully merged. The two-country oil and gas giant should now be able to tackle the future more efficiently.

Additions in the strong Indian stock market included Alok Industries Limited, a major textiles company investing in value added products and due to benefit from removal of global tariff restrictions; Nagarjuna Construction Company Ltd., operating in key areas of infrastructure development; and Pantaloon Retail (India) Limited which appears to have captured the early growth store development space in India and is building a real estate business.

Our last purchase before quarter end was Toronto-listed Equinox Minerals Limited, with the only late stage copper project of size on the calendar. On the Zambian Copper Belt, Equinox is a potential 300 million pound per year miner due to start construction in about six months.

CWF finished the nine months with over 17% of its portfolio invested in Canadian-listed stocks, half allocated to oil and gas companies, mainly operating in the North Sea, the Black Sea, offshore West Africa, Indonesia and Papua New Guinea. It is possible that more money will be committed to Canadian resource names, energy and mining, if commodity strength continues, further assisting stock prices and the upward move of the Canadian dollar.

**Michael A. Smedley**, *Chief Portfolio Officer of the Manager*  
**Alexander Sulzer**, *Vice-President of the Manager*

### Weighting of Portfolio Investments at Market – September 30, 2005

	%
North America	35.1
United Kingdom	26.5
Asia	21.2
Europe (excluding U.K.)	8.9
Other	8.3
<b>Total</b>	<b>100.0</b>

### Economic Sector Weighting of Portfolio Investments at Market\* – September 30, 2005

	%
Financials	27.2
Consumer Discretionary	18.4
Information Technology	16.9
Energy	10.0
Materials	9.6
Industrials	8.5
Telecommunication Services	3.8
Consumer Staples	3.7
Health Care	1.9
<b>Total</b>	<b>100.0</b>

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

# Management's Discussion & Analysis

Canadian World Fund Limited's (CWF) net asset value per share (NAV) returns for the nine- and three-month periods ended September 30, 2005 were 0.5% and 1.3%, respectively. By comparison, the returns of the benchmark Morgan Stanley All-Country World Free Index for the same periods were 5.7% and 7.2%, or 1.9% and 1.5%, respectively, when expressed in Canadian dollar terms. CWF's NAVs at September 30, 2005 and June 30, 2005 were \$5.52 and \$5.45.

Currency played a relatively important role in the quarter. In particular, the strength of the Canadian dollar was significant in the valuation of CWF investments. The Canadian dollar appreciated by 5.3% and 6.5% in relation to the U.S. dollar and the British pound, respectively, for the quarter ended September 30, 2005. For the nine months ended September 30, 2005, the Canadian dollar appreciated by 3.5% in relation to the U.S. dollar and a solid 10.9% against the British pound. The U.S. dollar and British pound were the most prominent currencies in CWF's portfolio throughout both periods.

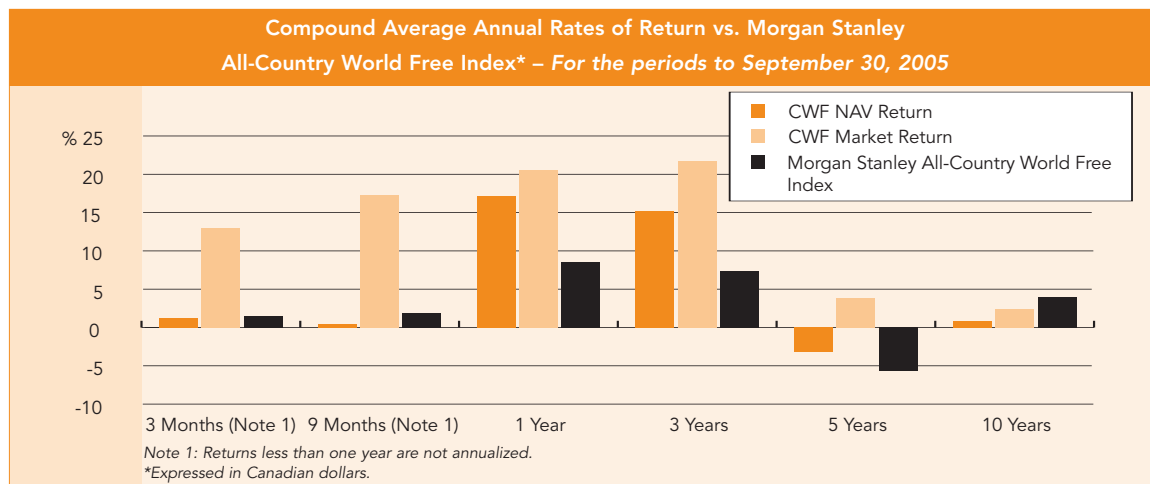
## OPERATIONS

CWF had an increase in net assets resulting from operations of \$106,000, or \$0.02 per share for the first

nine months and an increase of \$298,000 or \$0.07 per share for the third quarter. For the corresponding periods in 2004, there were decreases of \$330,000 and \$1,238,000 for the nine and three months, respectively.

There was a net gain on investments of \$364,000 for the nine months ended September 30, 2005, comprised of a net realized gain on investments of \$2,519,000 and a decrease in unrealized gain on investments of \$2,155,000. For the corresponding period in 2004, CWF had a net loss on investments of \$154,000. Trading activity was modest in the third quarter of 2005 in comparison to the prior two quarters. The largest gains in the quarter were realized when positions held in Delta Petroleum Corporation and Oslo Bors Holding ASA were sold.

CWF had a net investment loss of \$258,000 for the first nine months of 2005, versus a loss of \$176,000 for the corresponding period last year. Year to date, total investment income for 2005 was up marginally at 3.8% over the 2004 amount, while it was down 31.9% for the third quarter compared to the same period in the prior year. Total expenses for the nine months to September 30 increased by 18.5%, as measured against the comparable period in 2004. Management fees were higher due to the rise in the portfolio's market value. Professional fees,



directors' fees and custodial charges were also higher in comparison to last year.

CWF's bank borrowings, employed for leverage purposes, remained at \$4.1 million for the first three quarters of 2005. The year-to-date weighted average borrowing rate at September 30, 2005 was 3.4%, slightly higher than the 3.1% for the same period in 2004. The Corporation borrows funds under a demand credit facility of \$5.0 million, subject to certain covenants.

### TAXATION

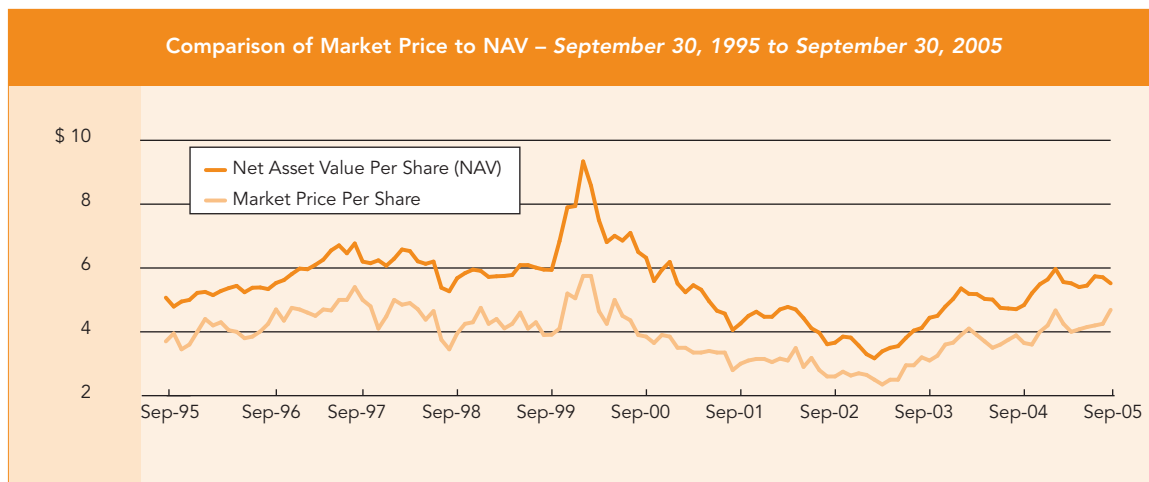
The Corporation's future income taxes on unrealized net capital gains at September 30, 2005 have been reduced by the tax benefit of income tax loss carryforwards from previous years.

### INVESTMENT OBJECTIVE AND STRATEGIES

CWF is a closed-end equity fund that endeavours to provide superior long-term returns by investing globally in securities of publicly traded, primarily growth companies. The Corporation principally utilizes a bottom-up investment style in an effort to achieve this objective. The Corporation does not employ currency hedging. The portfolio is well diversified and influenced by many currencies.

### OUTLOOK

Both developed and emerging markets will continue to produce opportunities and CWF's performance will continue to reflect global volatility and remain targeted on positive year-end results.



## Statements of Net Assets

	As at Sept. 30, 2005 <i>(Unaudited)</i> \$	As at Dec. 31, 2004 <i>(Audited)</i> \$
<i>(in thousands of dollars, except per share amounts)</i>		
<b>Assets</b>		
Investments at market value	26,783	24,188
Cash	87	1,987
Receivable on securities sold	-	440
Dividends receivable	28	33
Income taxes recoverable	9	2
	<b>26,907</b>	26,650
<b>Liabilities</b>		
Bank indebtedness	4,065	4,076
Accounts payable and accrued liabilities	49	48
Future income taxes on unrealized net capital gains	161	-
	<b>4,275</b>	4,124
<b>Net Assets</b>	<b>22,632</b>	22,526
<b>Shareholders' Equity</b>		
Capital stock	20,507	20,507
Unrealized gain on investments*	1,306	3,461
Retained earnings (deficit)	819	(1,442)
	<b>22,632</b>	22,526
<b>Number of shares outstanding</b>	<b>4,101,350</b>	4,101,350
<b>Net asset value per share</b>	<b>5.52</b>	5.49

\* Refer to analysis provided in the accompanying Schedule of Realized and Unrealized Gains (Losses) on Investments.

### Note to Financial Statements

The accompanying financial statements should be read in conjunction with the notes to the Company's audited financial statements for the year ended December 31, 2004. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

# Statements of Operations

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<b>Sept. 30, 2005</b>	Sept. 30, 2004	<b>Sept. 30, 2005</b>	Sept. 30, 2004
<i>(Unaudited)</i>				
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$	\$	\$
<b>Investment income</b>				
Dividends	92	137	344	336
Interest	2	1	7	2
	94	138	351	338
<b>Expenses</b>				
Management fees	96	83	278	247
Interest	37	32	105	96
Investor relations	20	8	46	35
Directors' fees	18	17	52	38
Other	21	31	128	98
	192	171	609	514
<b>Net investment loss for the period</b>	(98)	(33)	(258)	(176)
<b>Realized and unrealized gains (losses) on investments*</b>				
Net realized gain (loss) on investments	381	(336)	2,519	1,964
Change in unrealized gain on investments - net of future income taxes	15	(869)	(2,155)	(2,118)
<b>Net gain (loss) on investments</b>	396	(1,205)	364	(154)
<b>Increase (decrease) in net assets resulting from operations for the period</b>	298	(1,238)	106	(330)
<b>Increase (decrease) in net assets resulting from operations per share</b>				
(based on 4,101,350 (2004 - 4,101,350) weighted average shares outstanding during the period)	0.07	(0.30)	0.02	(0.08)

\* Refer to the analysis provided in the accompanying Schedule of Realized and Unrealized Gains (Losses) on Investments.

# Statements of Retained Earnings (Deficit)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<b>Sept. 30, 2005</b>	Sept. 30, 2004	<b>Sept. 30, 2005</b>	Sept. 30, 2004
<i>(Unaudited)</i>				
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>Retained earnings (deficit) - Beginning of period</b>	536	(2,343)	(1,442)	(4,499)
Net investment loss for the period	(98)	(33)	(258)	(176)
Net realized gain (loss) on investments*	381	(336)	2,519	1,964
Net increase in refundable dividend tax on hand	-	-	-	(1)
<b>Retained earnings (deficit) - End of period</b>	819	(2,712)	819	(2,712)

\* Refer to the analysis provided in the accompanying Schedule of Realized and Unrealized Gains (Losses) on Investments.

## Statements of Cash Flows

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
<i>(Unaudited)</i>				
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Increase (decrease) in net assets resulting from operations for the period	298	(1,238)	106	(330)
Add (deduct) non-cash items				
Net realized (gain) loss on investments	(381)	336	(2,519)	(1,964)
Change in unrealized gain on investments	(59)	869	1,994	2,118
Increase in future income taxes on unrealized gain on investments	44	-	161	-
Purchases of investments during the period	(4,482)	(3,229)	(17,307)	(13,110)
Proceeds of disposition of investments during the period	2,442	4,189	15,237	13,359
Net change in non-cash balances related to operations	(472)	(353)	439	217
	(2,610)	574	(1,889)	290
<b>Financing activities</b>				
Increase (decrease) in bank indebtedness	(27)	7	(11)	522
Net increase in refundable dividend tax on hand	-	-	-	(1)
	(27)	7	(11)	521
<b>Net increase (decrease) in cash during the period</b>	<b>(2,637)</b>	<b>581</b>	<b>(1,900)</b>	<b>811</b>
<b>Cash - Beginning of period</b>	<b>2,724</b>	<b>651</b>	<b>1,987</b>	<b>421</b>
<b>Cash - End of period</b>	<b>87</b>	<b>1,232</b>	<b>87</b>	<b>1,232</b>

## Schedule of Realized and Unrealized Gains (Losses) on Investments

	Three Months Ended		Nine Months Ended	
	Sept. 30, 2005	Sept. 30, 2004	Sept. 30, 2005	Sept. 30, 2004
<i>(Unaudited)</i>				
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
The net realized gain (loss) on investments was as follows:				
Proceeds from disposition of investments	2,442	4,189	15,237	13,359
Investments at cost - Beginning of period	22,895	22,204	20,727	19,193
Investments purchased during the period	4,482	3,229	17,307	13,110
Investments at cost - End of period	(25,316)	(20,908)	(25,316)	(20,908)
Cost of investments disposed of during the period	2,061	4,525	12,718	11,395
<b>Net realized gain (loss) on investments</b>	<b>381</b>	<b>(336)</b>	<b>2,519</b>	<b>1,964</b>
The unrealized gain on investments was as follows:				
Unrealized gain on investments - Beginning of period	1,291	2,382	3,461	3,631
Change in unrealized gain on investments - net of future income taxes	15	(869)	(2,155)	(2,118)
<b>Unrealized gain on investments - End of period</b>	<b>1,306</b>	<b>1,513</b>	<b>1,306</b>	<b>1,513</b>

# Statement of Investments

September 30, 2005 (Unaudited)

Number of Shares or Par Value	Investment	Cost \$	Market Value \$	Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
<b>ASIA - 21.2%</b>				<b>EUROPE - 35.4%</b>			
238,000	Alok Industries Limited (India)	490	490	<b>Europe Excluding United Kingdom</b>			
14,000	Britannia Industries Ltd. (India)	324	470	8,000	Central European Distribution Corporation (Poland)	227	396
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	446	7,000	Frontline Ltd. (Norway)	352	359
246,000	COFCO International Limited (China/Hong Kong)	114	123	20,000	International Maritime Exchange ASA (Norway)	352	300
10,000	HDFC Bank Ltd., ADR (India)	579	594	7,800	Orco Property Group S.A. (Luxembourg)	580	630
110,000	Indiabulls Financial Services Limited (India)	380	576	7,800	Oslo Bors Holding ASA (Norway)	208	450
1,640,000	Italian-Thai Development Public Company Limited, Foreign Reg (Thailand)	610	455	5,555,000	Uralsyazinform (Russia)	264	253
50,000	Mahindra & Mahindra Limited (India)	407	499	<b>Total Europe (Excluding United Kingdom) - 8.9%</b>			
21,300	Matsui Securities Co., Ltd. (Japan)	273	301	1,983			2,388
60,000	Nagarjuna Construction Company Ltd. (India)	363	383	<b>United Kingdom</b>			
6,700	Pantaloon Retail (India) Limited (India)	293	334	50,000	Arbuthnot Banking Group PLC	423	429
9,387	Punjab National Bank Limited (India)	101	112	75,000	Autonomy Corporation plc	419	521
300	Rakuten, Inc. (Japan)	278	267	70,000	Corin Group PLC	223	511
30,500	The Siam Cement Public Company Limited, Foreign Reg. (Thailand)	208	219	1,500,000	Daniel Stewart Securities plc	470	539
391,200	Singamas Container Holdings Limited (China/Hong Kong)	373	291	1,000,000	Deal Group Media plc	271	154
96	Yahoo Japan Corporation (Japan)	73	131	20,000	Detica Group plc	349	409
	<b>TOTAL ASIA</b>	<b>5,384</b>	<b>5,691</b>	145,000	fountains plc	513	358
<b>AUSTRALIA - 1.7%</b>				50,000	Hornby plc	300	221
680,000	Tethyan Copper Company Limited	375	462	40,000	IP2IPO Group plc	399	429
	<b>TOTAL AUSTRALIA</b>	<b>375</b>	<b>462</b>	158,500	M&C Saatchi plc	516	368
				75,000	Numis Corporation Plc	170	429
				145,000	PartyGaming Plc	440	272
				6,200	Rio Tinto plc	273	295
				7,758	Royal Dutch Shell plc B	303	312
				575,000	The Stanley Gibbons Group Limited	593	1,152
				100,000	Topps Tiles Plc	406	353
				600,000	UBC Media Group plc	467	330
				<b>Total United Kingdom - 26.5%</b>			
						6,535	7,082
				<b>TOTAL EUROPE</b>			
						8,518	9,470

# Statement of Investments (continued)

September 30, 2005 (Unaudited)

Number of Shares or Par Value	Investment	Cost \$	Market Value \$	Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
<b>LATIN AMERICA - 6.6%</b>				<b>United States</b>			
70,000	Grupo Financiero Banorte S.A. de C.V. (Mexico)	468	724	17,000	Apple Computer Inc.	715	1,058
235,000	Grupo Mexico S.A. de C.V., B (Mexico)	489	536	15,000	Comstock Homebuilding Companies, Inc.	468	347
456,000	SARE Holding, S.A. de C.V., B (Mexico)	326	497	1,600	Google Inc., A	581	588
	<b>TOTAL LATIN AMERICA</b>	<b>1,283</b>	<b>1,757</b>	7,000	Harley-Davidson, Inc.	471	394
<b>NORTH AMERICA - 35.1%</b>				10,000	International Securities Exchange Inc., A	375	272
<b>Canada</b>				30,000	LaBranche & Co Inc.	278	303
200,000	AXMIN Inc.	234	114	15,000	Sothebys Holdings, Inc., A	318	291
550,000	Equinox Minerals Limited	483	550	25,000	Sprint Nextel Corporation	752	690
30,000	GeoGlobal Resources Inc.	280	244	20,000	Symantec Corporation	721	526
50,000	Imperial Metals Corporation	366	285	10,000	Winnebago Industries, Inc.	306	336
15,000	InterOil Corporation	487	407		<b>Total United States - 17.9%</b>	<b>4,985</b>	<b>4,805</b>
24,400	Logibec Groupe Informatique Ltd.	265	305		<b>TOTAL NORTH AMERICA</b>	<b>9,755</b>	<b>9,403</b>
39,900	March Networks Corporation	686	719	<b>TOTAL INVESTMENTS</b>			
5,000	Niko Resources Ltd.	139	255	- September 30, 2005			
20,000	Pan-Ocean Energy Corporation Limited, B SV	450	590	- December 31, 2004			
230,000	Serica Energy Corp.	316	471	- September 30, 2004			
400,000	Stratic Energy Corporation	481	400				
4,600	Teekay Shipping Corporation	273	230				
30,000	WGI Heavy Minerals, Incorporated	310	28				
	<b>Total Canada - 17.2%</b>	<b>4,770</b>	<b>4,598</b>				

## OFFICE OF THE COMPANY

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## MANAGER

Morgan Meighen & Associates Limited  
Toronto

## AUDITORS

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Toronto

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Bank of Montreal  
Toronto

## SOLICITORS

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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: Globe and Mail, National Post, New York Times, Wall Street Journal, and Barron's.

The Corporation posts ongoing top 10 portfolio investments (priced at market), together with current NAV and market return information on its website. Similar information is available directly from the Corporation upon request.

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

