



CWF

Canadian World Fund  
Limited



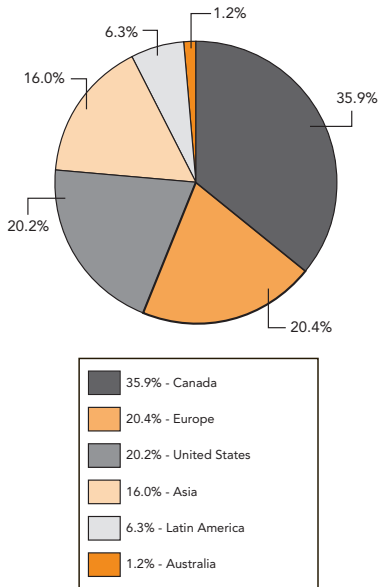
INTERIM REPORT 2009

# CORPORATE PROFILE

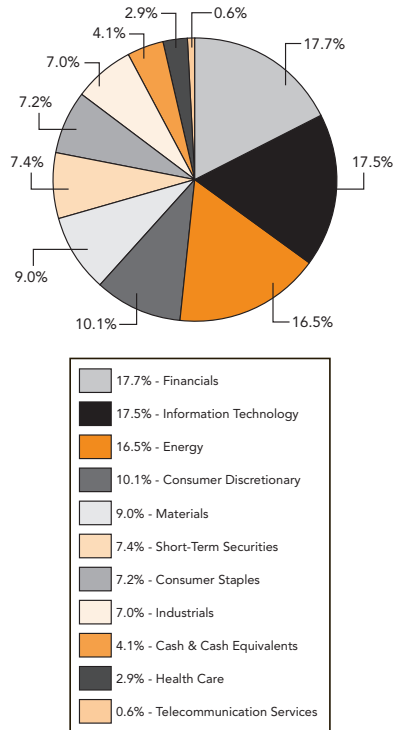
**Canadian World Fund Limited (CWF)** is a closed-end equity fund that endeavors to provide superior long-term returns by investing globally in securities of primarily publicly traded growth companies. The Company principally utilizes a bottom-up investment style in an effort to achieve this objective. 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.mmainvestments.com](http://www.mmainvestments.com)).

**Geographic Allocation of Portfolio - June 30, 2009**



**Sector Allocation of Portfolio - June 30, 2009**



*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 in the Company's most recent Annual Report to Shareholders.*

*The Company is an investment fund, and as such, this Interim 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

## GENERAL COMMENTARY

Canadian World Fund Limited's (CWF) net asset value per share (NAV) return for the second quarter of 2009 was 25.6%. This compared favourably with the 11.8% return for its benchmark index, the Morgan Stanley Capital International All Country World Index, converted to Canadian dollars. CWF shares lagged both its NAV and benchmark in the quarter, growing by 9.3%.

For the six months ended June 30, both CWF's NAV and market performance outstripped the benchmark, returning 31.7% and 18.0%, respectively, versus 2.1% for the benchmark. This relative outperformance highlights the sharp rally in equities, particularly in developing markets. This is evidenced by the 27.5% return in the MSCI Emerging Markets Index, converted to Canadian dollars.

CWF's global portfolio was supported by very strong advances in its holdings in emerging markets, special situations and a good presence in Canadian outperformers. Unfortunately, this rebound in values has only partially mitigated the damage wrought on shareholders' investments in 2008. CWF shareholders are still down 39.8% on a NAV basis, year-over-year, while CWF's share price declined 44.9% for the same period.

## BRIC COUNTRIES AND CANADA

Much of the recovery in world equity markets has come in the so-called "BRIC" countries: Brazil, Russia, India and China. These large and rapidly growing economies saw dramatic recoveries in their stock market indices for the six months ended June 30, increasing by 53.2%, 63.7%, 45.2% and 54.1%, respectively, converted to Canadian dollars. The Canadian market staged a strong, but less spectacular recovery of 17.6%, while the U.S. S&P 500 was down for the period, returning -2.1%, expressed in Canadian dollar terms. The higher growth attributes of emerging countries and the partial recovery in commodity prices benefitting Canada aided CWF.

## OUTLOOK

We are cautious about the balance of 2009. Some stock values might have been restored too enthusiastically by opportunistic investors. Nevertheless, it appears that the main crisis has passed and that economic recovery, albeit shallow and slow, is within sight.

Vanessa L. Morgan  
*Chairman*

Jonathan A. Morgan  
*President & CEO*

## INVESTMENT COMMENTARY

### PERFORMANCE REBOUND

Since our last quarterly review, investors' fears of a global depression have receded, risk premiums have narrowed throughout financial markets and equities have staged an impressive recovery. Canadian World Fund Limited (CWF) was a leading fund in response to this progress, with a 31.7% gain in net asset value (NAV) in the half year, putting the Fund at the top levels of performance for global funds managed in Canada.

In May and in the first week of June, economies around the world began to show some signs of stabilization, as global manufacturing indices continued to bounce from their lows.

### PORTFOLIO WINNERS

CWF's considerable outperformance was largely the result of key holdings such as HDFC Bank Ltd., a premier Indian bank, providing a wide range of financial products and services to over 15 million customers across India. The bank has great competitive strength, based on the use of technology and its ability to deliver world-class service. It has gained market share, while maintaining healthy profitability and asset quality. Also in India, Mahindra & Mahindra Limited, the top utility vehicle and tractor maker, delivered above expected performance in net profits, as well as margin improvement. It was the second largest dollar contributor to CWF's return, behind HDFC Bank Ltd.

Other strong performers were Baidu, Inc., owner of the most popular search engine in China, strategically positioned to extend its lead in the world's largest market for internet users, now with more than 300 million web users. Lojas Renner S.A., Brazil's largest publicly traded clothing retailer, rebounded, as the company will benefit from local economic growth, interest rate declines and improved consumer sentiment. Additional return contributors were among eastern European holdings, including Central European Distribution Corporation, which imports and distributes spirits in Poland and a growing market in Russia. Equinox Minerals Limited, operator of its Lumwana Copper Mine in Zambia, benefitted from strong copper prices, primarily due to demand from China.

In Canada, Alliance Grain Traders Income Fund delivered handsome gains. The trust, about to revert back to corporate status, is a growing leader in buying, processing and selling

specialty crops in export markets. It has big focus on the green lentil market, exporting primarily to South America, Africa and the Middle East. The world will continue to consume quality protein, and pulse crops represent a staple in many diets of key emerging markets around the world. Alliance Grain is acquiring its important, and larger, Turkey-based co-founder and close associate.

### WORLD EFFECTS

There has been an easing of unusual and restrictive financial conditions, with the TED spread having narrowed. This spread measures the gap between the three-month London Interbank Offered Rate (LIBOR) and three-month U.S. Treasury bill yields.

Also unusual, a significant aid to economic recovery has been the massive government and central bank striving to free up lending conditions and allow banks to return to capital markets to seek funding. The U.S. Treasury curve hit its steepest level in history, a key indicator of future economic conditions. The concerted efforts to support recovery have buoyed consumer and business confidence.

Despite the signs of optimism, poor growth numbers provide a reminder of the challenges still to be overcome, as the global economy is expected to shrink this year, before growing in 2010, according to estimates of the International Monetary Fund.

The worst may be over for the U.S. economy, but considerable risks to recovery remain. Further deterioration in the job market remains one of the biggest risks, while some stabilizing in the housing market and the manufacturing sector, combined with deceleration in layoffs, in our view, are signs the economic slump is easing.

### LATIN AMERICA

Mexico's economic recovery seems much more a function of a recovery in the United States than does Brazil's. Brazil has been struggling to recover, following a sharp slowdown in the fourth quarter of 2008, amid the ongoing impact of the global slowdown. A decline in demand for the country's exports remains one of the biggest obstacles to recovery.

### EURO ZONE

Evidence has been mounting that the worst of the most severe financial crisis in 13 years may have passed and, in response to more positive indicators, the European Central Bank (ECB) has kept its benchmark interest rates at a record low.

Partial profit has been realized by Canadian World Fund in several successful longer-term holdings, such as U.K. based Autonomy Corporation plc.

### ASIA

India's stock market surged after investors took the success of India's elections as impetus for more investment in the country. It is expected that the new ruling party's election victory will lead to acceleration of reforms and boost economic growth. The central bank expects growth in 2009 for India's economy, which is the largest market in South Asia. Increasing demand from China has been a brightening factor for the country's exports.

### CONCLUSION

Looking again at CWF's portfolio, a majority of holdings would be regarded as special situations, rather than major large cap market constituents. This has paid off and it is our thought that this will continue to be part of the chosen approach through the near term.

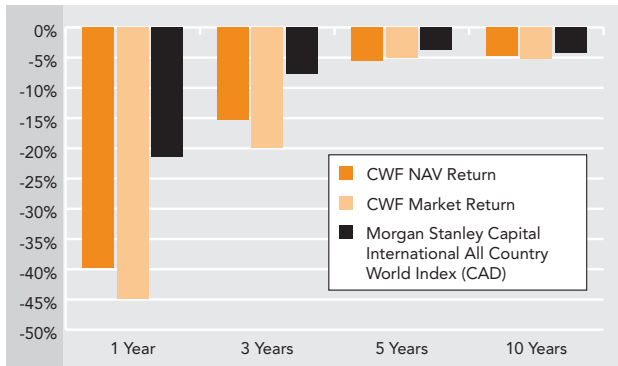
Stock selection has put CWF ahead of the "pack" in the past six months and with just a little fine tuning could advance further. Also, the portfolio has cash reserves for application and bank borrowings have been eliminated.

On behalf of the Manager,

Michael A. Smedley  
*CEO and Chief Portfolio Officer*

Alex Sulzer  
*Vice-President*

Compound Annual Returns for the Periods Ending June 30, 2009



# MANAGEMENT REPORT OF FUND PERFORMANCE

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### RESULTS OF OPERATIONS

#### Performance

Canadian World Fund's (CWF or the Company) net asset value at June 30, 2009 was \$27,213,000, representing a 31.9% increase from the \$20,626,000 at the end of 2008. CWF's net asset value per share (NAV) at June 30, 2009 was \$3.78, up from \$2.87 at year end 2008, reflecting a return of 31.7%. This compares with a 7.6% total return for the benchmark Morgan Stanley Capital International All Country World Index (MSCI ACWI), or 2.1% when expressed in Canadian dollars.

CWF's outperformance relative to the benchmark was largely due to a significant portfolio concentration in emerging markets, representing 26.0% of CWF's portfolio as at June 30, 2009. These markets were up strongly, as evidenced by the 27.5% return in the MSCI Emerging Markets Index, expressed in Canadian dollar terms. The recovery in world equity markets was largely driven by Brazil, Russia, India and China, whose stock market indices increased by 53.2%, 63.7%, 45.2% and 54.1%, respectively over the six months, also expressed in Canadian dollars. CWF has investments in all four of these countries. The partial recovery in commodity prices benefitted the Canadian market, with the S&P/TSX Composite Index up 17.6% on a total return basis. At June 30, CWF had a 35.9% weighting in Canada. A majority of the assets and operations of the Canadian investee companies are located outside of Canada.

A continuation of negative market conditions into 2009, led to continued maintenance of high weightings in cash and short-term securities throughout the six months ended June 30, as well as a further reduction in leverage. Bank borrowings of \$2.5 million at year-end 2008 were paid down, resulting in no outstanding borrowings on the Company's \$8.0 million credit facility at the half year.

### RECENT DEVELOPMENTS

#### Changeover to International Financial Reporting Standards

In May 2009, the Canadian Accounting Standards Board reconfirmed January 1, 2011 as the date international financial reporting standards (IFRS) will replace Canadian generally accepted accounting principles for publicly accountable enterprises, which include investment funds. As of June 30, 2009, the Manager of the Company, Morgan Meighen & Associates Limited, has established a project team responsible for the development of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS. In addition to disclosures of the qualitative impact of the adoption of IFRS, the transition plan includes disclosures of the quantitative impact, if any, beginning with the 2009 year-end financial statements.

### 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".

## 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 six months ended June 30, 2009 and the prior five financial years. Per share data is derived from the Company's audited annual financial statements and unaudited interim 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 <sup>(1)</sup>

	Six months ended June 30, 2009	2008	2007	2006	2005	2004
<b>Net assets, beginning of period</b>	\$ 2.85	\$ 7.76	\$ 7.89	\$ 5.75	\$ 5.49	\$ 4.79
<b>Increase (decrease) from operations:</b>						
Total revenue	0.03	0.09	0.10	0.10	0.10	0.10
Total expenses	(0.05)	(0.17)	(0.23)	(0.22)	(0.19)	(0.17)
Income tax recovery	-	-	0.01	0.04	-	-
Realized gains (losses) for the period	(0.40)	(0.93)	-	0.44	0.64	0.81
Unrealized gains (losses) for the period	1.34	(3.90)	0.92	1.83	(0.29)	(0.04)
<b>Total increase (decrease) from operations</b>	<b>0.92</b>	<b>(4.91)</b>	<b>0.81</b>	<b>2.19</b>	<b>0.26</b>	<b>0.70</b>
<b>Net assets, end of period <sup>(2)</sup></b>	<b>\$ 3.77</b>	<b>\$ 2.85</b>	<b>\$ 7.76</b>	<b>\$ 7.94</b>	<b>\$ 5.75</b>	<b>\$ 5.49</b>

(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

	Six months ended					
	June 30, 2009	2008	2007	2006	2005	2004
Total net asset value (000's) <sup>(1)</sup>	\$ 27,213	\$ 20,626	\$ 56,020	\$ 32,553	\$ 23,574	\$ 22,526
Number of shares outstanding <sup>(1)</sup>	7,190,091	7,190,091	7,190,091	4,101,350	4,101,350	4,101,350
Management expense ratio <sup>(2) (3) (6)</sup>	3.10%	3.04%	3.00%	3.31%	3.51%	3.33%
Trading expense ratio <sup>(4) (6)</sup>	0.14%	0.22%	0.33%	0.24%	0.58%	0.66%
Portfolio turnover rate <sup>(5)</sup>	9.23%	18.59%	25.88%	30.88%	67.45%	72.22%
Net asset value per share <sup>(1)</sup>	\$ 3.78	\$ 2.87	\$ 7.79	\$ 7.94	\$ 5.75	\$ 5.49
Closing market price <sup>(1)</sup>	\$ 2.69	\$ 2.28	\$ 5.96	\$ 6.45	\$ 4.35	\$ 4.00

(1) This information is provided as at the end of the financial period 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: 2009 (to June 30, annualized) – 2.91%, 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.

(6) Ratios for the six months ended June 30, 2009 have been annualized.

## 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

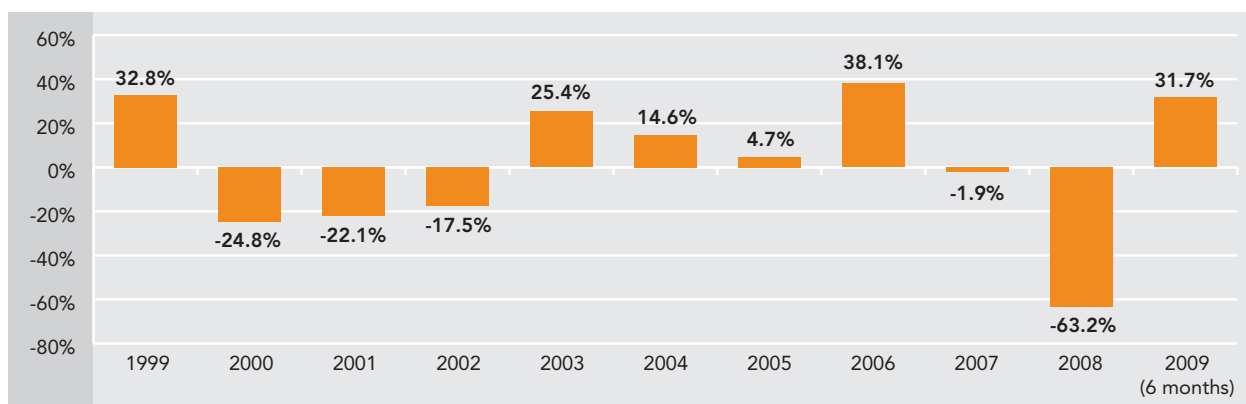
The performance information shown does not take into account broker commissions or other fees potentially payable by holders of the Company's shares that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

### YEAR-BY-YEAR RETURNS

The following bar charts show the Company's performance for each of the years shown, as well as interim performance for the six months ended June 30, 2009, 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 financial period would have grown or decreased by the last day of each financial period.

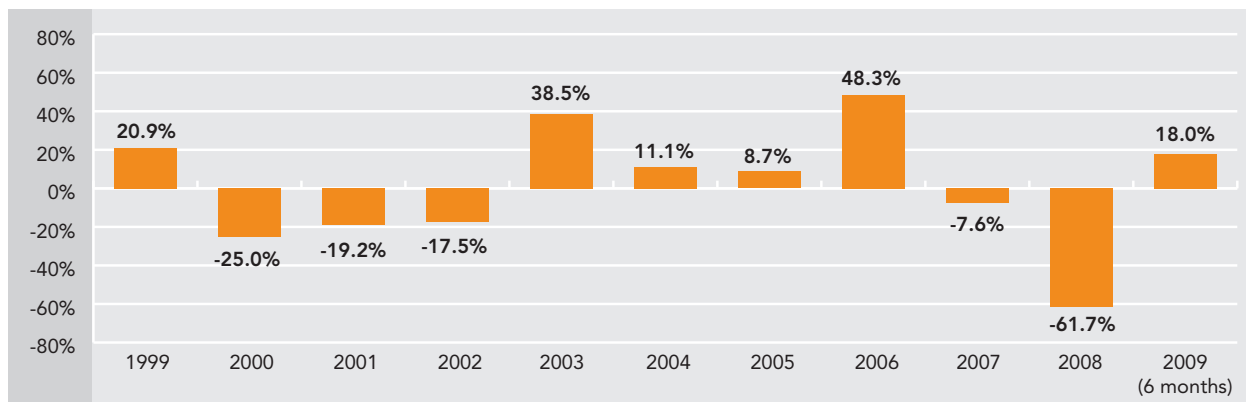
The bar chart below illustrates CWF's net asset value per share return.

#### Net Asset Value Return



The bar chart below illustrates CWF's market return.

#### Market Value Return



## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2009

### Top 25 Holdings

Issuer	Country	Sector	% of Net Asset Value*	% of Investment Portfolio
Bank of Montreal Redeemable Short-Term Investment	Canada	Short-Term Securities	7.4	7.4
HDFC Bank Ltd.	India	Financials	4.4	4.4
Apple Inc.	U.S.A.	Information Technology	4.3	4.3
Cash	Canada	Cash & Cash Equivalents	4.1	4.1
Alliance Grain Traders Income Fund	Canada	Consumer Staples	4.0	4.0
Baidu, Inc.	China/Hong Kong	Information Technology	3.9	3.9
Petrominerales Ltd.	Canada	Energy	3.4	3.4
International Business Machines Corporation	U.S.A.	Information Technology	3.1	3.1
Mahindra & Mahindra Limited	India	Industrials	3.1	3.1
Lojas Renner S.A.	Brazil	Consumer Discretionary	3.0	3.0
Equinox Minerals Limited	Canada	Materials	3.0	3.0
Biovail Corporation	Canada	Health Care	2.9	2.9
Petrohawk Energy Corporation	U.S.A.	Energy	2.9	2.9
Petrofac Limited	U.K.	Energy	2.8	2.8
Deere & Company	U.S.A.	Industrials	2.5	2.5
CME Group Inc.	U.S.A.	Financials	2.2	2.2
Freeport-McMoRan Copper & Gold Inc.	U.S.A.	Materials	2.1	2.1
Niko Resources Ltd.	Canada	Energy	2.1	2.1
Central European Distribution Corporation	Poland	Consumer Staples	2.0	2.0
Autonomy Corporation plc	U.K.	Information Technology	2.0	2.0
Silvercorp Metals Inc.	Canada	Materials	1.9	1.9
Logibec Groupe Informatique Ltd.	Canada	Information Technology	1.9	1.9
Grupo Financiero Banorte S.A.B. de C.V.	Mexico	Financials	1.9	1.9
Top Glove Corporation BHD	Malaysia	Consumer Discretionary	1.9	1.9
LUKOIL	Russia	Energy	1.7	1.7
			74.5*	74.5
Total Net Asset Value* (\$000's)				\$ 27,213
Total Investment Portfolio (\$000's)				\$ 27,205

\* Total Net Asset Value represents Total Investment Portfolio adjusted for 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.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.

## SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)

As at June 30, 2009

Sector Allocation	% of		Geographic Allocation	
	Net Asset Value*	Investment Portfolio	Net Asset Value*	Investment Portfolio
Financials	17.7	17.7	Canada	35.9
Information Technology	17.5	17.5	Europe	20.4
Energy	16.5	16.5	United States	20.2
Consumer Discretionary	10.1	10.1	Asia	16.0
Materials	9.0	9.0	Latin America	6.3
Short-Term Securities	7.4	7.4	Australia	1.2
Consumer Staples	7.2	7.2		
Industrials	7.0	7.0		
Cash & Cash Equivalents	4.1	4.1		
Health Care	2.9	2.9		
Telecommunication Services	0.6	0.6		

\* Total Net Asset Value represents Total Investment Portfolio adjusted for other assets and liabilities.

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## INTERIM FINANCIAL STATEMENTS

June 30, 2009

**The auditors of the Company have not reviewed these interim financial statements.**

Shareholders of the Company appoint an independent auditor to audit the Company's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Company's interim financial statements, this must be disclosed in an accompanying notice.

## STATEMENTS OF NET ASSETS

<i>As at June 30, 2009 and December 31, 2008</i> <i>(in thousands of dollars, except number of shares and per share amounts)</i>	<b>June 30, 2009</b> <b>Unaudited</b> <b>\$</b>	<b>December 31, 2008</b> <b>Audited</b> <b>\$</b>
<b>Assets</b>		
Investments at fair value (cost - \$29,271; 2008 - \$34,683)	25,951	21,717
Cash	1,118	1,262
Interest and dividends receivable	66	42
Income taxes recoverable	11	12
	27,146	23,033
<b>Liabilities</b>		
Accounts payable and accrued liabilities	69	91
Bank indebtedness (note 2)	-	2,477
	69	2,568
<b>Net Assets</b>	27,077	20,465
<b>Shareholders' Equity</b>		
Capital stock	39,220	39,220
Unrealized loss on investments	(3,320)	(12,966)
Retained earnings (deficit) (note 3)	(8,823)	(5,789)
	27,077	20,465
<b>Number of shares outstanding</b>	7,190,091	7,190,091
<b>Net assets per share</b> (note 7)	3.77	2.85

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

## STATEMENTS OF OPERATIONS

For the six months ended June 30 (Unaudited)  
(in thousands of dollars, except per share amounts)

	2009 \$	2008 \$
<b>Investment income</b>		
Dividends	173	311
Interest	34	7
	207	318
Withholding taxes on foreign dividends	(13)	(20)
	194	298
<b>Expenses</b>		
Management fees	181	384
Directors' fees and expenses	44	31
Listing and regulatory costs	30	30
Interest (note 2)	23	145
Security holder reporting costs	20	12
Audit fees	16	13
Legal fees	9	2
Custodial fees	7	68
Investor relations	7	8
Independent review committee fees and expenses	6	9
Capital taxes	2	1
Other	8	8
	353	711
<b>Net investment loss</b>	(159)	(413)
<b>Realized and unrealized gains (losses) on investments</b>		
Net realized loss on investments	(2,859)	(2,325)
Change in unrealized gain (loss) on investments, net of decrease (increase) in future income taxes of \$nil (2008 - \$2,520)	9,646	(8,043)
Transaction costs on purchase and sale of investments	(16)	(37)
<b>Net gain (loss) on investments</b>	6,771	(10,405)
<b>Increase (decrease) in net assets resulting from operations for the period</b>	6,612	(10,818)
<b>Increase (decrease) in net assets resulting from operations per share</b> (based on 7,190,091 (2008 - 7,190,091) weighted-average number of shares outstanding during the period)	0.92	(1.50)

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

## STATEMENTS OF CHANGES IN NET ASSETS

<i>For the six months ended June 30 (Unaudited)</i> <i>(in thousands of dollars)</i>	<b>2009</b> \$	<b>2008</b> \$
<b>Increase (decrease) in net assets resulting from operations for the period</b>	6,612	(10,818)
<b>Net assets, beginning of period</b>	20,465	55,794
<b>Net assets, end of period</b>	27,077	44,976

## STATEMENTS OF CASH FLOWS

<i>For the six months ended June 30 (Unaudited)</i> <i>(in thousands of dollars)</i>	<b>2009</b> \$	<b>2008</b> \$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net investment loss	(159)	(413)
Purchase of investments	(5,200)	(6,204)
Proceeds of disposition of investments	7,753	8,321
Income tax provision included in net realized loss on investments	-	258
Transaction costs on purchase and sale of investments	(16)	(37)
Net change in non-cash balances related to operations	(45)	(1,210)
	2,333	715
<b>Financing activities</b>		
Increase (decrease) in bank indebtedness	(2,477)	1,522
	(2,477)	1,522
<b>Net increase (decrease) in cash during the period</b> (note 6)	(144)	2,237
<b>Cash, beginning of period</b>	1,262	110
<b>Cash, end of period</b>	1,118	2,347

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

# STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2009

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
<b>ASIA (16.0%)</b>			
3,000	Baidu, Inc., ADR (China/Hong Kong)	685	1,049
10,000	HDFC Bank Ltd., ADR (India)	579	1,195
50,000	Mahindra & Mahindra Limited (India)	407	842
1,000	Nintendo Co., Ltd. (Japan)	573	321
4,020	Pantaloon Retail (India) Limited, B (India)	-	20
209,500	SREI Infrastructure Finance Limited (India)	754	415
231,000	Top Glove Corporation BHD (Malaysia)	635	504
	<b>TOTAL ASIA</b>	<b>3,633</b>	<b>4,346</b>
<b>AUSTRALIA (1.1%)</b>			
300,000	Bannerman Resources Ltd.	1,026	316
	<b>TOTAL AUSTRALIA</b>	<b>1,026</b>	<b>316</b>
<b>EUROPE (20.3%)</b>			
<b>Europe Excluding United Kingdom</b>			
21,999	AmRest Holdings N.V. (Netherlands)	399	446
18,000	Central European Distribution Corporation (Poland)	445	556
20,000	IMAREX NOS ASA (Norway)	352	216
8,800	LUKOIL, ADR (Russia)	791	453
39,000	Oslo Bors VPS Holding ASA (Norway)	207	387
250,000	Sberbank (Russia)	512	360
10,555,000	Uralsvazinform (Russia)	596	168
18,332	X5 Retail Group N.V., GDR (Russia)	357	324
	<b>TOTAL EUROPE</b> (Excluding United Kingdom) (10.8%)	<b>3,659</b>	<b>2,910</b>
<b>United Kingdom</b>			
20,000	Autonomy Corporation plc	136	548
900,000	Blinkx plc	509	241
21,803	London Stock Exchange Group plc	588	291
250,000	Midas Capital plc	1,386	43
60,000	Petrofac Limited	631	769
585,552	PLUS Markets Group plc	382	67
230,000	Serica Energy plc	317	239
112,500	Stanley Gibbons Group plc	116	254
300,000	Tethys Petroleum Limited	903	123
	<b>Total United Kingdom (9.5%)</b>	<b>4,968</b>	<b>2,575</b>
	<b>TOTAL EUROPE</b>	<b>8,627</b>	<b>5,485</b>

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
<b>LATIN AMERICA (6.3%)</b>			
12,000	Desarrolladora Homex, S.A.B. de C.V., ADR (Mexico)	645	389
180,000	Grupo Financiero Banorte, S.A.B. de C.V. (Mexico)	300	505
63,000	Lojas Renner S.A. (Brazil)	767	810
	<b>TOTAL LATIN AMERICA</b>	<b>1,712</b>	<b>1,704</b>
<b>NORTH AMERICA (44.8%)</b>			
<b>Canada</b>			
60,500	Alliance Grain Traders Income Fund, units	752	1,083
50,000	Biovail Corporation	689	781
35,700	Capstone Mining Corp.	74	92
330,000	El Nino Ventures Inc., warrants 02/28/2010	119	13
300,000	Equinox Minerals Limited	264	801
1,250	Fairfax Financial Holdings Limited, SV	493	363
30,000	Logibec Groupe Informatique Ltd.	411	520
7,000	Niko Resources Ltd.	303	557
325,000	Peer 1 Network Enterprises, Inc.	527	345
70,000	Petrominerales Ltd.	263	912
130,000	Silvercorp Metals Inc.	983	527
8,852	TMX Group Inc.	413	299
200,000	WesternZagros Resources Ltd.	524	320
	<b>Total Canada (24.4%)</b>	<b>5,815</b>	<b>6,613</b>
<b>United States</b>			
35,000	Alcoa Inc.	1,201	420
7,000	Apple Inc.	548	1,160
1,731	CME Group Inc.	647	626
15,000	Deere & Company	1,071	697
2,000	First Solar, Inc.	615	377
10,000	Freeport-McMoRan Copper & Gold Inc.	798	582
7,000	International Business Machines Corporation	748	849
30,000	Petrohawk Energy Corporation	865	776
	<b>Total United States (20.4%)</b>	<b>6,493</b>	<b>5,487</b>
	<b>TOTAL NORTH AMERICA</b>	<b>12,308</b>	<b>12,100</b>
	<b>TOTAL EQUITIES</b>	<b>27,306</b>	<b>23,951</b>

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

As at June 30, 2009

Number or Par Value	Investment	Cost \$	Fair Value \$
<i>(in thousands of dollars)</i>			
<b>SHORT-TERM SECURITIES (7.4 %)</b>			
2,000,000	Bank of Montreal Redeemable Short-term Investment, 3.00% 10/06/2009	2,000	2,000
<b>TOTAL SHORT-TERM SECURITIES</b>		<b>2,000</b>	<b>2,000</b>
TRANSACTION COSTS		(35)	-
TOTAL INVESTMENTS (95.9%)		29,271	25,951
CASH & CASH EQUIVALENTS (4.1%)		1,118	1,118
<b>INVESTMENT PORTFOLIO (100.0%)</b>		<b>30,389</b>	<b>27,069</b>

Percentage amounts in brackets represent fair value as a percentage of the Investment Portfolio.

**RECONCILIATION OF INVESTMENT  
PORTFOLIO TO NET ASSETS:**

INVESTMENT PORTFOLIO (100.0%)	27,069
OTHER ASSETS AND LIABILITIES, NET (0.0%)	8
<b>NET ASSETS (100.0%)</b>	<b>27,077</b>

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

For the six months ended June 30, 2009 (Unaudited)

These unaudited interim financial statements do not include all of the disclosures contained in the audited financial statements and accordingly, should be read in conjunction with the December 31, 2008 audited financial statements which are available at [www.sedar.com](http://www.sedar.com) or from the Company.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used by Canadian World Fund Limited (the Company) in the preparation of these unaudited interim financial statements conform to those presented in the Company's December 31, 2008 audited financial statements.

### Future accounting standards

In May 2009, the Canadian Accounting Standards Board reconfirmed January 1, 2011 as the date international financial reporting standards (IFRS) will replace Canadian generally accepted accounting principles for publicly accountable enterprises, which include investment funds. As of June 30, 2009, the Manager of the Company, Morgan Meighen & Associates Limited, has established a project team responsible for the development of a transition plan and commenced activities to identify key issues and the likely impacts resulting from the adoption of IFRS. In addition to disclosures of the qualitative impact of the adoption of IFRS, the transition plan includes disclosures of the quantitative impact, if any, beginning with the 2009 year-end financial statements.

## 2 BANK INDEBTEDNESS

The Company has a revolving demand credit facility of \$8.0 million, comprising bankers' acceptances, subject to specified covenants, with interest based on the prime bankers' acceptance rate (plus 60 basis points). The Company must comply with specified covenants during the terms of the loans.

The Company has no outstanding loan as at June 30, 2009. The bank indebtedness as at December 31, 2008 had a combined weighted-average interest rate of 4.22% per annum and was repaid over various maturity dates in 2009.

During the first six months of 2009, the Company utilized between \$nil and \$2.5 million (2008 - between \$5.4 and \$7.0 million) of its revolving demand credit facility.

## 3 RETAINED EARNINGS (DEFICIT)

The changes in retained earnings (deficit) for the six months ended June 30 were as follows:

<i>(in thousands of dollars)</i>	2009 \$	2008 \$
Retained earnings (deficit), beginning of period	(5,789)	1,481
Net investment loss	(159)	(413)
Net realized loss on investments, net of transaction costs	(2,875)	(2,362)
Retained earnings (deficit), end of period	(8,823)	1,294

## 4 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 33% (2008 - 34%) and 17% (2008 - 17%), 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 June 30, 2009, the Company has non-capital loss carry-forwards of approximately \$1,510,000. These can be offset against income in future years and begin to expire in 2027. In addition, the Company has capital losses of approximately \$9,691,000, 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 June 30, 2009 (2008 - \$28,000).

## 5 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 June 30, 2009. This also applies to other assets, as these have a short term to settlement. As at June 30, 2009, the Company's investments in debt instruments were limited to a short-term security of \$2.0 million or 7.4% of the investment portfolio (December 31, 2008 - \$3,998,000 or 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 June 30, 2009. 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 June 30, 2009, the Company's investments in debt instruments were limited to a short-term security with maturity date of less than one year. The Company has minimal sensitivity to changes in interest rates on this security, as it is anticipated that it will be held to maturity and is 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.

#### 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 June 30, 2009, the Company's investment portfolio had a 62.7% (December 31, 2008 – 60.9%) weighting in foreign currencies. The five most significant foreign currencies were as follows:

	Currency exposure CA\$ (\$ 000's)	% of Investment Portfolio
U.S. dollar	9,982	36.9
U.K. pound sterling	2,213	8.2
Indian rupee	1,276	4.7
Brazilian real	810	3.0
Norwegian krone	603	2.2

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

As at June 30, 2009, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies represented in the portfolio as at June 30, 2009, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$800,000 or approximately 3.1% of total net assets (December 31, 2008 - \$700,000 or approximately 3.4% of total net assets).

## 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 June 30, 2009, 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 \$1.2 million or approximately 4.4% of total net assets (December 31, 2008 - \$886,000 or 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.

## 6 SUPPLEMENTAL CASH FLOW INFORMATION

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

<i>(in thousands of dollars)</i>	2009 \$	2008 \$
Interest paid	23	145
Income taxes paid (refunded) - net	11	(40)

## 7 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.

	June 30, 2009 \$	December 31, 2008 \$
Net asset value per share	3.78	2.87
Canadian GAAP adjustment	(0.01)	(0.02)
Net assets per share	3.77	2.85

# GLOBAL OPPORTUNITIES

Managed by:



*MorganMeighen*

& ASSOCIATES

Investment Managers

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