



CWF

Canadian World Fund
Limited

3

THIRD QUARTER
SHAREHOLDER UPDATE

September 30, 2006

GLOBAL
OPPORTUNITIES

Regulations pertaining to the Company's reporting requirements have changed in 2006. 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. 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 as before, CWF is only required to produce financial statements and a Management Report of Fund Performance (MRFP) after six months (June 30) and at year end.

However, in the interest of ongoing communications with shareholders, the Company plans to provide a brief, informal update at the end of the first and third quarters, including investment commentary.

Managed by:



MorganMeighen
& ASSOCIATES

Investment Managers

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GENERAL COMMENTARY

As Canadian World Fund Limited (CWF) demonstrates, with the nine-month mark now passed, investment in global markets looks like a winning strategy for 2006. Shareholders have been treated to a 15.2% gain in the Toronto quoted market price of CWF and a similar 15.3% gain in the fund's net asset value year-to-date to September 30, 2006.

CWF also looks good in comparisons. The benchmark Morgan Stanley All-Country World Free Index was up 9.3% in U.S. dollar terms and only 4.5% when expressed in Canadian dollars. The average return of Canadian global equity funds in the mutual funds sector for the nine-month period was 5.0%, as reported in the Globe and Mail.

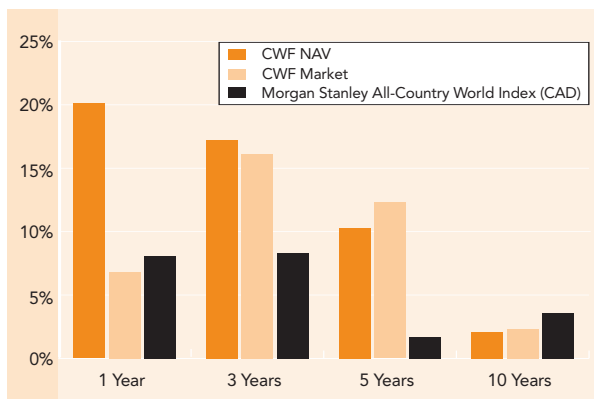
Most markets have performed positively through the year to date, some scoring very well in U.S. dollar terms. Japan, in which CWF has very small exposure, is the only major market experiencing negative results year to date.

CWF, with its special situations bottom-up approach to investing, will continue to provide investors with a rare opportunity as a stock exchange quoted global fund in North America.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

Compound Annual Returns for the Periods to September 30, 2006



INVESTMENT COMMENTARY

CWF at present has a high “developed” market presence. The U.K. was the second highest country content in the portfolio at 20.9%, edged out of the lead since the second quarter by Canadian listed securities at a 21.0% weighting at September 30. That results largely from our success with Canadian companies operating internationally, particularly in resources development and production.

The Canadian dollar at this time also provides an incidental partial hedge against other currencies. That and the multi-currency approach of the rest of the portfolio keeps us reasonably comfortable about currency risk.

INDIAN BULL MARKET

All global markets are within our investment universe and the third strongest country weighting in the portfolio is India which stood at 16.0% at September 30. India is one of several high profile markets largely inaccessible to individual investors in stocks and where the investment team of Morgan Meighen & Associates has long-established experience.

Our successful bullish take on the Indian stock market was further validated in the last month of the third quarter of 2006 with the break through of one of our Indian holdings into the No. 1 ranking in our Top 10 portfolio list. Appropriate in name, the company is Indiabulls Financial Services Ltd. This young company is a diversified financial services provider that has set up the biggest on-line brokerage firm in India. It handles other consumer financial needs and has cleverly diversified by acquiring major development properties in the booming Mumbai real estate market. The group's second quarter profit rose 59% on revenue that increased by 74%.

Also in the top ten are Mahindra & Mahindra Limited, an auto, components and farm equipment manufacturer riding particularly high on the two- and three-wheel vehicle market and HDFC Bank Ltd, a major Indian bank in corporate banking services. Respectively, these three Indian stocks are 338.8%, 236.7% and 129.0% above cost for the portfolio of CWF. On the last day of the quarter we added a tenth name to our India list, Wipro Limited, the major software company.

GEOGRAPHICAL DIVERSIFICATION

The remainder of our Top 10 are in Mexico, the United

States, the U.K., Norway and Canada. All of these positions were held in the portfolio prior to the latest quarter.

Among the most recent purchases were two Russian stocks. We bought Sberbank, the nationwide retail banker and the only liquid quoted financial stock in Russia and LUKOIL, the major energy group. At quarter end, these are up 17.4% and down 17.8%, respectively, since purchase.

As we exit the third quarter many longer term holdings are proving their quality, including such major companies as Apple Computer Inc. and Google Inc. and other important brand name owners such as Harley-Davidson, Inc. – just as it changed its market symbol to HOG from HDI. A good marketing move!

The impressive performance of CWF (another symbol worth noting, we think!) relative to the benchmark index has been aided by the U.S. market's chronic low end of the range performance, while occupying about 50% of index weighting. The U.S. was less than 15% of our portfolio at September 30. In the rest of the portfolio, Asian, East European and Latin American stocks should continue to excel – with possible gains against the U.S. dollar as well, in response to excellent growth/conditions.

EAST EUROPEAN GROWTH

East Europe is now well emerged from the Soviet era and is a prime growth region for investment in listed public companies. CWF currently has seven investments in the region, inclusive of Russia. Here are two of our holdings:

Orco Property Group, S.A. is a leading investor, developer and asset manager in the Central European real estate and hospitality market, currently managing assets of approximately £1 billion. Operating in Central Europe since 1991, Orco is based in Luxembourg and listed on both the Euronext and Prague Stock Exchange. Orco's portfolio includes hotels and apartments, and other retail properties. Orco operates in the Czech Republic, Hungary, Poland, Russia, Croatia, Germany and Slovakia. It is up over 90% in the CWF portfolio.

AmRest Holding N.V. is the operator of Kentucky Fried Chicken and Pizza Hut restaurants in Poland, Czech Republic and Hungary. As a multi-brand and multi-segment restaurant chain operator in the quick service, casual dining and delivery segments, the company is targeting young adults and families, in a growing affluent middle class, which demand increasing convenience driven by lifestyle changes. Amrest operates in the under penetrated CEE region, which offers considerable expansion, revenue and profit potential. Investing in Amrest has yielded a return close to 30% since originally purchased in April 2006.

Widespread economic strength should continue through the rest of the year and beyond. For CWF it is a matter of staying focussed on uncovering more special opportunities in markets around the globe.

On behalf of the Manager,

Michael A. Smedley
Chief Portfolio Officer

Alex Sulzer
Vice-President

SUMMARY OF INVESTMENT PORTFOLIO

as at September 30, 2006

Sector Allocation*

		% of Net Investment Assets**	% of Investment Portfolio
	(\$000's)		
Financials	10,289	37.9	31.8
Consumer Discretionary	5,817	21.5	18.0
Materials	5,341	19.6	16.5
Information Technology	4,747	17.5	14.7
Energy	2,494	9.2	7.7
Industrials	1,769	6.5	5.4
Consumer Staples	1,028	3.8	3.2
Cash & Cash Equivalents	685	2.5	2.1
Telecommunication Services	241	0.9	0.7
Health Care	173	0.6	0.5

Geographic Allocation

		% of Net Investment Assets**	% of Investment Portfolio
	(\$000's)		
North America	11,709	43.1	36.2
United Kingdom	6,794	25.0	21.0
Asia	6,467	23.9	20.0
Europe (excluding U.K.)	4,290	15.8	13.2
Latin America	2,639	9.7	8.1
Cash & Cash Equivalents	685	2.5	2.1

SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)

Top 25 Holdings as at September 30, 2006

Issuer	Country	Sector*	% of Net Assets**	% of Investment Portfolio
Indiabulls Financial Services Ltd.	India	Financials	4.1	3.4
Grupo Financiero Banorte S.A. de C.V.	Mexico	Financials	3.6	3.0
Google Inc.	U.S.A	Information Technology	3.3	2.8
Mahindra & Mahindra Limited	India	Industrials	3.0	2.6
Skye Resources Inc.	Canada	Materials	3.0	2.5
Stanley Gibbons Group Limited	U.K.	Consumer Discretionary	2.9	2.4
Oslo Bors Holding ASA	Norway	Financials	2.8	2.4
Chariot Resources Limited	Canada	Materials	2.6	2.1
Cash	Canada	Cash & Cash Equivalents	2.5	2.1
HDFC Bank Ltd.	India	Financials	2.5	2.1
Autonomy Corporation plc	U.K.	Information Technology	2.5	2.1
March Networks Corporation	Canada	Information Technology	2.4	2.0
Lojas Renner S.A.	Brazil	Consumer Discretionary	2.3	1.9
Engel East Europe N.V.	Netherlands	Consumer Discretionary	2.3	1.9
Sberbank	Russia	Financials	2.2	1.9
Apple Computer Inc.	U.S.A	Information Technology	2.2	1.9
Arbuthnot Banking Group PLC	U.K.	Financials	2.2	1.8
IP Group PLC	U.K.	Financials	2.2	1.8
Daniel Stewart Securities plc	U.K.	Financials	2.1	1.8
SARE Holding, S.A. de C.V.	Mexico	Financials	2.1	1.7
Equinox Minerals Limited	Canada	Materials	2.0	1.7
EuroZinc Mining Corporation	Canada	Materials	2.0	1.7
International Securities Exchange, Inc.	U.S.A	Financials	1.9	1.6
Serica Energy PLC	U.K.	Energy	1.9	1.6
AmRest Holdings N.V.	Netherlands	Consumer Discretionary	1.9	1.6
			62.5	52.4
Total Net Assets** (\$000's)				\$ 27,179
Total Investment Portfolio** (\$000's)				\$ 32,389

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

** Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of bank indebtedness (\$4.1 million), other assets and other liabilities. Total Investment Portfolio includes a payable on securities purchased of \$195,000.

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, 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.

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.