



CWF

Canadian World Fund
Limited

Investing
in the *global*
economy

Canadian World Fund Limited

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THIRD QUARTER REPORT

September 30, 2001

*We would like to express
our deepest sympathies for the
innocent victims of the
September 11 terrorist attacks,
their families, friends
and co-workers.*

*We salute the heroes
who gave their lives trying to
save others.*

*We look forward to the day
when the world will be a safe
and peaceful place
and our thoughts are with those
who are working to that end
at great personal risk.*

Letter to the Shareholders

In the final week of the third quarter of 2001 alone, net asset value per share (NAV) for Canadian World Fund Limited (CWF) surged 7.4%. This rebound, illustrating the volatility of global markets, is reflected in an end-of-quarter high closing across most markets, after the extended decline following the terrorist attacks of September 11. The improvement retraced a significant part of a year-to-date decline which came to 31.6% for the Corporation's NAV to September 30.

The Morgan Stanley All-Country World Free Index finished down 20.2% year-to-date in Canadian dollar terms; however, the first three quarters of 2001 have brought many global funds to the 40-50% level of losses. Economies and markets were already suffering a year ago since the irrationality of the communications technology expansionary era started to surface.

CWF currently has a low presence in communications technology, but is a bottom-up selector of a variety of stocks picked for growth and other values. U.S. and U.K. holdings dominate and the Fund also currently has several energy and China related stocks.

China extends its reputation this year as one of few countries expected to generate significant – though declining – GNP growth. Our holdings therein exhibit growth rates of 50% or so in revenues and earnings, but one should caution that China is not isolated from the mood swings of global investors.

Recent acquisitions in staple industries that appear to suit the times were **Kraft Foods Inc.** and **Bunge Limited**. Kraft is a recent IPO and the largest foods company in the U.S. Bunge, a major commodities firm that has existed for more than 170 years as a private enterprise, recently entered the public scene. Its peers



include Continental Grain Company and Cargil Inc., both private companies. Bunge dominates supply of grain in Latin America and the high growth soy and fertilizer industries in Brazil.

The best performing acquisition in the quarter was **Mercator Poslovni Sistem**, the dominant retail chain in Slovenia. Another special situation is 73 year old **Krispy Kreme Doughnuts, Inc.** which has seen spectacular growth since going public and is embarked on a major expansion drive across the United States and into Canada.

We hold senior U.S. generator, pipeline and energy development stocks which collapsed earlier in the year but should again exert upward leverage on the portfolio. These include long term holdings that have already yielded gains.

CWF continued to hold two vacation and airline related stocks at quarter end. **P & O Princess Cruises PLC** was recovering strongly after the terrorism related collapse while the similarly affected Mexico airports manager, **Grupo Aeroportuario del Sureste S.A. de C.V.** was being promoted in forecasts at quarter-end. Holidays might well be viewed as a consumer staple rather than a luxury item.

A renewal of confidence and determination tempering the recession predicted by most economic forecasters would prove to be stimulative. This might be the time for the Manager to start recapturing some of the exceptional portfolio gains recorded before the communications technology collapse last year. In view of the extreme volatility of global markets the Manager intends to pay greater attention to locking in significant gains in all areas of the portfolio.

A handwritten signature in black ink, appearing to read "M. Smedley".

Michael A. Smedley, President

Management's Discussion and Analysis

The portfolio of Canadian World Fund Limited (CWF) fell in the third quarter of 2001, as a result of the lowered economic expectations which accelerated following the terrorist attacks in September. Through the quarter, U.S. energy related stocks virtually collapsed and the technology and telecommunication sectors continued in retreat. CWF's portfolio weighting for these sectors went from 18% at the end of the second quarter to 14% at September 30.

Geographic weightings underwent some change at September 30, 2001 compared to the end of the second quarter. Europe, including the U.K., remained the dominant segment with a weighting of 55.7% compared to 50.3% at the end of the second quarter, with heavy focus on the U.K. North America continued to be the second largest geographic area segment at 22.2%, down from 26.8% at June 30.

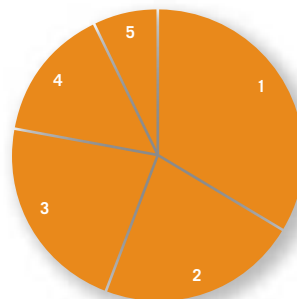
Net Assets

Net assets at September 30, 2001, were \$16,634,000, down 18.2% from June 30, 2001 and down 31.8% from year-end 2000. On a per share basis, corresponding net asset values per share (NAV) were \$4.06, \$4.96 and \$5.94 respectively, the latter recorded at a high point in technology stocks. The Corporation's benchmark, the Morgan Stanley All-Country World Free Index, expressed in Canadian dollar terms, was down 11.6% for the current quarter and down 20.2% for the first nine months of 2001. The returns for the nine months also reflect the 5.3% depreciation of the Canadian dollar vis-à-vis the U.S. dollar. The Corporation does not employ currency hedging, but is well diversified by country and region.

In the third quarter of 2001, the net realized loss on investments was \$847,000 as compared to a gain of \$256,000 in the third quarter of 2000, the former being largely impacted by losses realized in the third quarter of 2001 on Nokia Corporation and Telefonaktiebolaget LM Ericsson ADR, both major players in the telecommunications industry, which were sold before extremes of deterioration. Declining market values in the third quarter of 2001 led to a \$2,784,000 decrease in unrealized appreciation/depreciation in value of investments, compared to a decline of \$2,263,000 for the same period last year. As at September 30, 2001, CWF had an unrealized loss on investments of \$2,966,000.

WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET

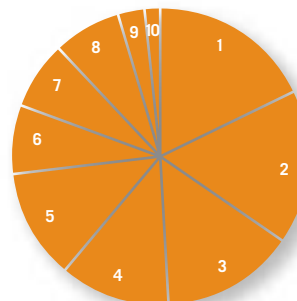
September 30, 2001



1	United Kingdom	33.6%
2	North America	22.2%
3	Europe (excluding U.K.)	22.1%
4	Asia	14.9%
5	Latin America	7.2%

ECONOMIC SECTOR WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET*

September 30, 2001



1	Utilities	17.8%
2	Consumer Staples	16.8%
3	Financials	14.5%
4	Telecommunication Services	12.0%
5	Consumer Discretionary	12.0%
6	Industrials	7.5%
7	Health Care	7.4%
8	Materials	7.4%
9	Energy	2.9%
10	Information Technology	1.7%

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

Bank borrowings employed for leverage purposes remained at the \$3.7 million level of the second quarter, a reduction from the \$4.7 million employed at year-end 2000 and September 30, 2000.

Operations

Total investment income for the quarter ended September 30, 2001 increased by 35.5% from the third quarter of 2000, a result of interest as well as dividend distributions received from income generating stocks purchased in late 2000 and the first nine months of 2001. Total investment income for the nine-month period ended September 30, 2001 increased by 70.7% to \$355,000 from \$208,000 for the corresponding period in 2000. Significant dividends were received in the latest quarter from U.K. and Asia holdings including Cable & Wireless PLC, Alliance & Leicester PLC, Tesco PLC and Greencool Technology Holdings Limited.

Total expenses for the first nine months of 2001 and 2000 were \$530,000 and \$725,000, respectively, representing a reduction of 26.9%. There were significant decreases in the two largest expense items, management fees and interest. Management fees were down 39.6% to \$270,000 from \$447,000 as a result of the decline in portfolio value. The management fee is calculated quarterly in arrears at 1.5% per annum of net asset value without deduction for tax liabilities. Interest expense for the nine months was 11.5% lower than the corresponding period last year due to declining interest rates as well as lower average borrowing levels. The weighted average borrowing rate was 4.8% at September 30, 2001, significantly lower than the 5.8% rate at June 30, 2001. The cost of this program should continue to fall with the on-going decline in interest rates.

The \$115,000 income tax provision at September 30, 2001 represents the reversal of a recovery recorded in 2000. Since CWF is in a taxable loss situation and does not have unrealized gains at September 30, for accounting purposes the corporation does not meet the defined criteria required to continue to recognize a recovery.

Net investment loss for both the nine months ended September 30, 2001 and the corresponding period in 2000 was \$290,000.

INVESTMENT PORTFOLIO TEN LARGEST INVESTMENTS

September 30, 2001

Company	Market Value (000's)	% at Market
Telefonica S.A.	\$1,060	5.7
British Energy PLC	937	5.1
Interbrew S.A./N.V. PLC	802	4.3
Tesco PLC	772	4.2
Pilkington PLC	759	4.1
Amgen Inc.	742	4.0
Arch Coal, Inc.	677	3.6
Cheung Kong (Holdings) Limited	664	3.6
Companhia de Bebidas das Americas (Ambev)	632	3.4
Centrica PLC	618	3.3
Totals	\$7,663	41.3

COMPARISON OF MARKET PRICE TO NAV

Twelve months ended September 30, 2001



Discount

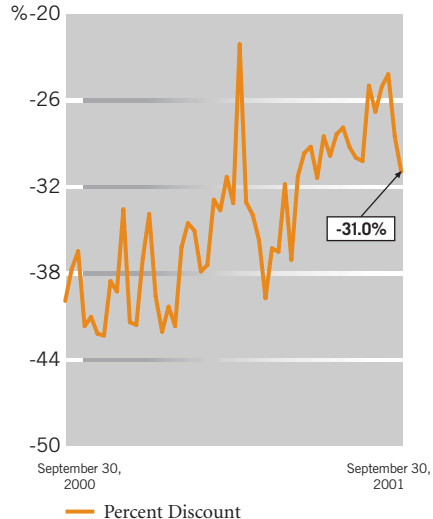
CWF's market price per share closed the quarter at \$2.80, down 17.6% from the end of the second quarter. The discount to NAV ranged from 24.3% to 31.0% during the third quarter, closing at 31.0%, similar to the 31.5% level at the end of the second quarter.

Outlook

The primary objective of the investment manager will continue to be bottom-up stock selection for growth while taking advantage of long-term and short-term opportunities in the volatile global marketplace. China should continue to be the only true growth economy. There are also signs of recovery in communications technologies and in our energy related holdings.

DISCOUNT TO NAV

Twelve months ended September 30, 2001



Statements of Net Assets

<i>(in thousands of dollars, except per share amounts)</i>	As at September 30, 2001 (Unaudited)	As at December 31, 2000 (Audited)	As at September 30, 2000 (Unaudited)
Assets			
Investments	\$ 18,559	\$ 25,827	\$ 33,156
Cash	1,105	3,682	106
Receivable on securities sold	215	—	448
Accrued interest and dividends	36	10	34
Income taxes recoverable	437	437	—
	20,352	29,956	33,744
Liabilities			
Bank indebtedness	3,688	4,692	4,692
Payable on securities purchased	—	—	346
Accounts payable and accrued liabilities	30	44	31
Income taxes payable	—	—	575
	3,718	4,736	5,644
Future income taxes on unrealized net capital gains	—	848	1,448
	3,718	5,584	7,092
Net Assets	\$ 16,634	\$ 24,372	\$ 26,652
Shareholders' Equity			
Capital stock	\$ 20,507	\$ 20,507	\$ 20,507
Unrealized gain (loss) on investments	(2,966)	3,600	3,492
Retained earnings (deficit)	(907)	265	2,653
	\$ 16,634	\$ 24,372	\$ 26,652
Number of shares outstanding	4,101,350	4,101,350	4,101,350
Net asset value per share	\$ 4.06	\$ 5.94	\$ 6.50

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, 2000. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements.

Statements of Operations

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Investment income				
Dividends	\$ 79	\$ 60	\$ 313	\$ 185
Interest	5	2	42	23
	84	62	355	208
Expenses				
Management fees	82	128	270	447
Interest	46	70	154	174
Directors' fees	8	7	22	25
Other	25	22	84	79
	161	227	530	725
Investment loss before income taxes	(77)	(165)	(175)	(517)
Income tax provision (recovery)	–	(70)	115	(227)
Net investment loss	(77)	(95)	(290)	(290)
Realized and unrealized gain (loss) on investments				
Net realized gain (loss) on investments	(847)	256	(882)	2,174
Change in unrealized appreciation/depreciation in value of investments	(2,784)	(2,263)	(6,566)	(7,649)
Net loss on investments	(3,631)	(2,007)	(7,448)	(5,475)
Decrease in net assets resulting from operations	\$ (3,708)	\$ (2,102)	\$ (7,738)	\$ (5,765)

Statements of Retained Earnings (Deficit)

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Retained earnings - Beginning of period	\$ 17	\$ 2,492	\$ 265	\$ 769
Net investment loss for the period	(77)	(95)	(290)	(290)
Net realized gain (loss) on investments	(847)	256	(882)	2,174
Retained earnings (deficit) – End of period	\$ (907)	\$ 2,653	\$ (907)	\$ 2,653

Statements of Changes in Net Assets

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Decrease in net assets resulting from operations	\$ (3,708)	\$ (2,102)	\$ (7,738)	\$ (5,765)
Net assets - Beginning of period	20,342	28,754	24,372	32,417
Net assets - End of period	\$ 16,634	\$ 26,652	\$ 16,634	\$ 26,652

Statements of Net Loss on Investments

(Unaudited)

(in thousands of dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Proceeds from disposition of investments	\$ 3,821	\$ 5,155	\$ 14,645	\$ 22,966
Investments at cost, beginning of period	23,631	27,596	21,264	24,335
Investments purchased during the period	2,562	5,443	15,788	23,679
Investments at cost, end of period	(21,525)	(28,213)	(21,525)	(28,213)
Cost of investments disposed of during the period	4,668	4,826	15,527	19,801
Realized gain (loss) on disposition of investments				
before income taxes	(847)	329	(882)	3,165
Income taxes on realized net taxable capital gains	–	73	–	991
Net realized gain (loss) on investments	(847)	256	(882)	2,174
Change in unrealized appreciation/depreciation in value of investments	(2,784)	(2,263)	(6,566)	(7,649)
Net loss on investments	\$ (3,631)	\$ (2,007)	\$ (7,448)	\$ (5,475)

Statement of Investments

September 30, 2001

NUMBER OF SHARES OR PAR VALUE		COST	MARKET VALUE
<i>(in thousands of dollars)</i>			
ASIA			
– China			
940,000	China Rare Earth Holdings Limited		
		459	331
492,000	Convenience Retail Asia Limited	231	272
618,000	Greencool Technology Holdings Limited	385	325
1,400,000	Xinao Gas Holdings Limited	381	524
		1,456	1,452
– Hong Kong			
54,000	Cheung Kong (Holdings) Limited	823	664
– India			
5,000	Dr. Reddy's Laboratories Limited ADR	142	176
15,000	ICICI Limited ADR	276	117
		418	293
– Japan			
17	NTT DoCoMo, Inc.	511	363
	TOTAL ASIA	3,208	2,772
EUROPE			
– Belgium			
20,000	Interbrew S.A./N.V.	801	802
– France			
7,700	Renault S.A.*	541	354
– Germany			
67,500	Koninklijke (Royal) KPN NV+	485	291
– Ireland			
94,000	Anglo Irish Bank Corporation PLC	453	445
– Norway			
15,000	Oslo Bors Holding ASA	318	347
– Spain			
23,100	Banco Santander Central Hispano S.A. ADR	389	275
19,765	Telefonica S.A. ADR	442	1,060
		831	1,335
– Slovenia			
4,950	Mercator Poslovni Sistem*	471	529
– United Kingdom			
30,000	Alliance & Leicester PLC	390	522
55,000	BHP Billiton PLC	433	357
150,000	British Energy PLC	919	937
80,000	Cable & Wireless PLC	1,318	520
125,000	Centrica PLC	378	618

NUMBER OF SHARES OR PAR VALUE		COST	MARKET VALUE
<i>(in thousands of dollars)</i>			
– United Kingdom (continued)			
45,000	Enterprise Oil PLC	636	539
93,500	Legal & General Group PLC	340	321
100,000	P & O Princess Cruises PLC	562	521
300,000	Pilkington PLC	816	759
17,000	Shire Pharmaceuticals Group PLC*	426	363
130,000	Tesco PLC	762	772
		6,980	6,229
	TOTAL EUROPE	10,880	10,332
LATIN AMERICA			
– Argentina			
15,000	Bunge Limited*	385	402
– Brazil			
25,000	Companhia de Bebidas das Americas (Ambev) ADR preference shares	911	632
– Mexico			
20,000	Grupo Aeroportuario del Sureste S.A. de C.V. ADR	572	297
	TOTAL LATIN AMERICA	1,868	1,331
NORTH AMERICA			
– United States			
10,500	AOL Time Warner Inc.	714	549
8,000	Amgen Inc.	739	742
27,500	Arch Coal, Inc.	1,181	677
8,000	Calpine Corporation	692	288
10,000	deCODE GENETICS, INC.	397	98
10,000	Duke Energy Corporation	606	598
8,000	Enron Corporation	310	344
5,000	Kraft Foods Inc.*	268	271
5,000	Krispy Kreme Doughnuts, Inc.*	239	234
4,000	Microsoft Corporation	423	323
		5,569	4,124
	TOTAL NORTH AMERICA	5,569	4,124
TOTAL INVESTMENTS			
	– September 30, 2001	\$ 21,525	\$ 18,559
	– December 31, 2000	\$ 21,264	\$ 25,827
	– September 30, 2000	\$ 28,213	\$ 33,156
Changes from June 30, 2001			
* New Holdings			
+ Increased Holdings			

Corporate Information – Canadian World Fund Limited

Office of the Company

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Stock Exchange Listings

The Toronto Stock Exchange

Trading Symbol: CWF

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

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

Publication

The Corporation calculates and releases its net asset value per share (NAV) on a daily basis. The NAV is published in various media in Canada and the United States.

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

Stock Data – Common Shares

September 30, 2001:

Price	\$2.80
Net Asset Value	\$4.06
Discount	31.0%

