

**CANADIAN WORLD FUND LIMITED**

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Managed by:



**MorganMeighen**  
& ASSOCIATES

Investment Managers



**CWF**

Canadian World Fund  
Limited

**2005**

**GLOBAL  
OPPORTUNITIES**

**I**

*First Quarter Report*  
March 31, 2005

# Report to Shareholders

There was no firm trend in international markets in the first quarter of 2005; it was a volatile three months, beginning with a weak start followed by growing strength that peaked around the end of February. Canadian World Fund Limited (CWF) began the year with negative returns through much of January, then took off to a gain of nearly 10.0% in net asset value per share (NAV), before backing off to a still positive 1.3% for the three months ended March 31, 2005.

CWF's net asset growth for the twelve months ended March 31, 2005 was a respectable 7.1% and the common share market price showed a gain of 3.7% over the same period. Three year data, which is post the fallout from the tech stock debacle, shows a 10.4% compound average rate of return for the share price and 5.8% for the NAV to March 31, 2005. As a comparative, the benchmark Morgan Stanley All-Country World Free Index posted a return of 5.4%, or -4.1% in Canadian dollar terms.

## MARKET COMMENTARY

The downswing throughout the month of March was likely encouraged by the fear of rising inflation and interest rate pressures in the United States affecting confidence. Additionally, it became allied with a correction after last year's exuberance, particularly in the emerging markets.



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

The extension of depressed behavior by the U.S. stock market contributed heavily to a -1.4% first quarter return for CWF's benchmark, or -0.9% in Canadian dollar terms. The benchmark has more than a 50% U.S. weighting, while CWF is weighted less than 18% in U.S. companies.

While stock market performance has been dismal for several years in the United States, the developed country markets, as a rough average, are down approximately 30% from all time highs years ago. This depressed condition is supportive of our bottom-up stock selection process as opposed to global indexing, country or regional emphasis.

## Top Ten Investments at Market\* – March 31, 2005

(Portfolio details on pages 8-9)

	%		%
The Stanley Gibbons Group Limited - United Kingdom	5.3	IP2IPO Group plc - United Kingdom	2.5
Oslo Bors Holding ASA - Norway	3.3	Grupo Financiero Banorte, S.A. de C.V. - Mexico	2.5
Corin Group PLC - United Kingdom	3.1	Niko Resources Ltd. - Canada	2.4
Apple Computer Inc. - United States	2.8	Imperial Metals Corporation - Canada	2.3
Numis Corporation Plc - United Kingdom	2.5	Pan-Ocean Energy Corporation Limited - Canada	2.2
		<b>Total</b>	<b>28.9</b>

\*Excludes cash.

Among specific markets for the nine months of 2005 yet to unfold, Chinese and Indian domestic growth continues to look vigorous, aiding the perpetuation of tight commodity and energy supplies. However, the stock market outlook might best be described as one of caution. High and potentially higher levels of oil prices may not be sustainable, as higher pricing is inclined to slow growth.

Canadian World Fund tends to be fully invested regardless of economic or market forecasts, providing investors with an exchange-listed opportunity, perhaps unique in North America, for investment mainly in the shares of foreign companies. This should be of growing interest for Canadians with the federal government's planned elimination of foreign content investment restrictions for registered plans.



Vanessa L. Morgan  
*Chairman*



Jonathan A. Morgan  
*President & CEO*

## PORTFOLIO HIGHLIGHTS

Canadian World Fund has retained many longer-term leading holdings. Four of the top-ten positions are securities from the United Kingdom, that should now be familiar to shareholders. Other names in the top ten listing are Numis Corporation Plc, an investment firm in the United Kingdom with an impressive track record, Grupo Financiero Banorte, S.A. de C.V., which is the last of the major Mexican banks to retain independence, and the Internet search engine giant, Google Inc.

There are three new portfolio holdings worthy of special mention. Singamas Container Holdings Limited, one of the world's two dominant shipping container suppliers, has been appreciating well since being purchased by CWF. Orco Property Group S.A., a Paris and Prague listed small capitalization company, is an interesting emerging development firm with ten years of experience in central Europe. It is presently focussed on the Prague condominium market where a need for post communist era quality is stimulating demand. Also, CWF is again invested in Martha Stewart Living Omnimedia, Inc., after realizing a significant gain from the sale of the holding in the final quarter of 2004.

Michael A. Smedley, *Chief Portfolio Officer of the Manager*

### Weighting of Portfolio Investments at Market – March 31, 2005

	%
North America	27.7
United Kingdom	26.0
Asia	20.3
Europe (excluding U.K.)	19.5
Other	6.5
<b>Total</b>	<b>100.0</b>

### Economic Sector Weighting of Portfolio Investments at Market\* – March 31, 2005

	%
Financials	25.3
Consumer Discretionary	24.1
Information Technology	10.9
Industrials	9.0
Energy	8.9
Materials	8.0
Consumer Staples	6.2
Telecommunication Services	4.5
Health Care	3.1
<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 (CWF) began 2005 with a continuation of the 2004 outperformance of its benchmark, the Morgan Stanley All-Country World Free Index. CWF's net asset value return was 1.3% for the first quarter of 2005, well above the corresponding return of -1.4% posted by the benchmark, or -0.9% when expressed in Canadian dollar terms.

The performance of the major foreign markets in which CWF is invested were varied for the first quarter of 2005, as represented by the slightly negative performance of the benchmark. In contrast with much of 2004, currency moves did not play a significant role in the current quarter. The Canadian dollar depreciated by 0.5% in relation to the U.S. dollar and rose 0.9% and 0.4% against the British pound and Indian rupee, respectively.

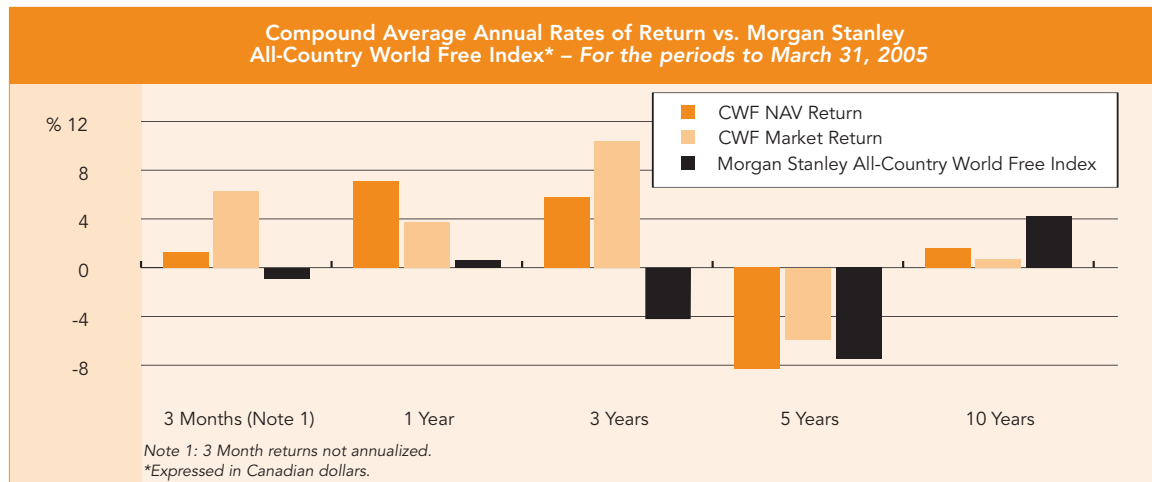
## OPERATIONS

The net realized gain on investments for the first quarter of 2005 was \$86,000, compared to \$1,346,000 for the comparative period last year. During the current period, CWF realized \$943,000 in gains led by dispositions in Niko Resources Ltd., Iliad SA, and Aspreva Pharmaceuticals Corporation. The largest offsets to these gains were losses realized on Red Hat, Inc., UTStarcom, Inc., and Flamel

Technologies SA, totalling approximately \$530,000. The change in unrealized gain on investments was \$322,000 this quarter, down from \$402,000 for the same period last year. As at March 31, 2005, CWF had an unrealized gain on investments of \$3,783,000, versus unrealized gains of \$3,461,000 at the 2004 year-end.

CWF had a net investment loss of \$124,000 for the first quarter this year, versus a loss of \$80,000 for the same quarter last year. Total investment income was down 14.1% to \$79,000 for the first quarter of 2005, compared to \$92,000 last year. Total expenses for the three-month period to March 31 this year increased by 18.0% measured against the first quarter of 2004, impacted to a large extent by higher management fees and directors' fees. Management fees which rose 13.9% as a result of increasing portfolio values, are calculated quarterly in arrears at 1.5% per annum of net asset value without deduction for tax liabilities. The rise in directors' fees is mainly attributable to increased independent board membership, effective in the second quarter of 2004.

CWF's bank borrowings, employed for leverage purposes, remained at \$4.1 million during the first quarter of 2005, as CWF continued to take advantage of low interest rates. The year-to-date weighted average borrowing rate at



March 31, 2005 was 3.4%, compared to 3.3% for the same period in 2004. Borrowings averaged \$4.1 million during the first quarter of both years. The Company borrows funds under a demand credit facility of \$5.0 million, subject to certain covenants.

### TAXATION

As a result of CWF's taxable loss position, the Corporation does not meet the defined criteria required for recognition of a tax recovery on the investment loss incurred. In addition, no income tax provision has been recorded for the net realized gain on investments earned and no future income tax provision has been recorded for the unrealized gain at quarter-end, as CWF still has loss carryforwards available from prior years.

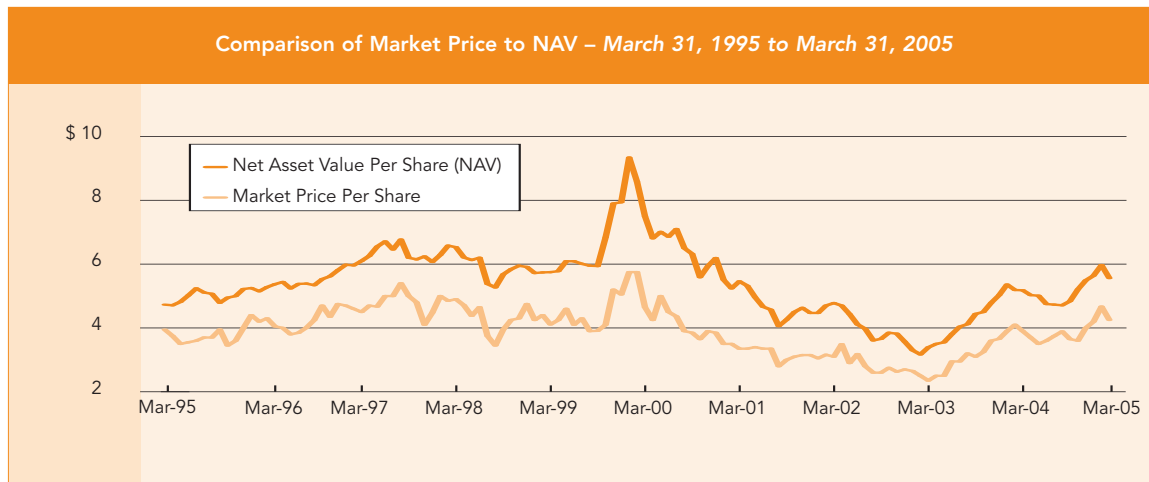
### INVESTMENT OBJECTIVE AND STRATEGIES

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 Manager of CWF utilizes a bottom-up investment style in an effort to achieve this objective. As a global equity fund, the primary risks to the Corporation are market risk – the exposure to market price changes in the

securities held within the portfolio and currency fluctuation risk. The portfolio is well diversified and influenced by many currencies and the Corporation does not employ currency hedging.

### OUTLOOK

The primary objective of CWF continues to be to offer shareholders an exposure to international markets through a globally diversified equity portfolio. In pursuit of favourable returns to shareholders, the Manager employs a strategy that includes the use of investments for both income generation and capital appreciation, including Canadian investments.



# Statements of Net Assets

	As at March 31, 2005 <i>(Unaudited)</i> \$	As at December 31, 2004 <i>(Audited)</i> \$
<i>(in thousands of dollars, except per share amounts)</i>		
<b>Assets</b>		
Investments at market value	25,659	24,188
Cash	563	1,987
Receivable on securities sold	686	440
Dividends receivable	28	33
Income taxes recoverable	5	2
	<b>26,941</b>	26,650
<b>Liabilities</b>		
Bank indebtedness	4,084	4,076
Accounts payable and accrued liabilities	48	48
	<b>4,132</b>	4,124
	<b>22,809</b>	22,526
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	20,507	20,507
Unrealized gain on investments*	3,783	3,461
Deficit	(1,481)	(1,442)
	<b>22,809</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>5.56</b>	5.49

\* Refer to analysis provided in the accompanying Schedule of Realized and Unrealized Gains 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

	Three Months Ended	
	March 31, 2005 \$	March 31, 2004 \$
<i>(Unaudited)</i> <i>(in thousands of dollars, except per share amounts)</i>		
<b>Investment income</b>		
Dividends	76	91
Interest	3	1
	<b>79</b>	<b>92</b>
<b>Expenses</b>		
Management fees	90	79
Interest	33	33
Investor relations	10	7
Directors' fees	18	10
Other	52	43
	<b>203</b>	<b>172</b>
<b>Net investment loss for the period</b>	<b>(124)</b>	<b>(80)</b>
<b>Realized and unrealized gains on investments*</b>		
Net realized gain on investments	86	1,346
Change in unrealized gain on investments	322	402
<b>Net gain on investments</b>	<b>408</b>	<b>1,748</b>
<b>Increase in net assets resulting from operations for the period</b>	<b>284</b>	<b>1,668</b>
<b>Increase 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)	<b>0.07</b>	<b>0.41</b>

## Statements of Deficit

	Three Months Ended	
	March 31, 2005 \$	March 31, 2004 \$
<i>(Unaudited)</i> <i>(in thousands of dollars)</i>		
<b>Deficit - Beginning of period</b>	<b>(1,442)</b>	<b>(4,499)</b>
Net investment loss for the period	(124)	(80)
Net realized gain on investments*	86	1,346
Net increase in refundable dividend tax on hand	(1)	(1)
<b>Deficit - End of period</b>	<b>(1,481)</b>	<b>(3,234)</b>

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

## Statements of Cash Flows

<i>(Unaudited)</i> <i>(in thousands of dollars)</i>	<i>Three Months Ended</i>	
	<b>March 31, 2005</b>	March 31, 2004
	<b>\$</b>	<b>\$</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Increase in net assets resulting from operations for the period	<b>284</b>	1,668
Add (deduct) non-cash items		
Net realized gain on investments	<b>(86)</b>	(1,346)
Change in unrealized gain on investments	<b>(322)</b>	(402)
Purchases of investments during the period	<b>(5,494)</b>	(5,652)
Proceeds of disposition of investments during the period	<b>4,431</b>	5,299
Net change in non-cash balances related to operations	<b>(244)</b>	133
	<b>(1,431)</b>	(300)
<b>Financing activities</b>		
Increase in bank indebtedness	<b>8</b>	514
Net increase in refundable dividend tax on hand	<b>(1)</b>	(1)
	<b>7</b>	513
<b>Net increase (decrease) in cash during the period</b>	<b>(1,424)</b>	213
<b>Cash - Beginning of period</b>	<b>1,987</b>	421
<b>Cash - End of period</b>	<b>563</b>	634

## Schedule of Realized and Unrealized Gains on Investments

<i>(Unaudited)</i> <i>(in thousands of dollars)</i>	<i>Three Months Ended</i>	
	<b>March 31, 2005</b>	March 31, 2004
	<b>\$</b>	<b>\$</b>
The net realized gain on investments was as follows:		
Proceeds from disposition of investments	<b>4,431</b>	5,299
Investments at cost - Beginning of period	<b>20,727</b>	19,193
Investments purchased during the period	<b>5,494</b>	5,652
Investments at cost - End of period	<b>(21,876)</b>	(20,892)
Cost of investments disposed of during the period	<b>4,345</b>	3,953
<b>Net realized gain on investments</b>	<b>86</b>	1,346
The unrealized gain on investments was as follows:		
Unrealized gain on investments - Beginning of period	<b>3,461</b>	3,631
Change in unrealized gain on investments	<b>322</b>	402
<b>Unrealized gain on investments - End of period</b>	<b>3,783</b>	4,033

# Statement of Investments

March 31, 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 - 20.3%</b>								
17,500	Bharat Electronics Limited (India)	212	323	7,000	Frontline Ltd. (Norway)	352	415	
72,400	Bharti Tele-Ventures Limited (India)	334	415	5,400	Luka Koper d.d. (Slovenia)	263	283	
14,000	Britannia Industries Ltd. (India)	324	343	1,500	Mercator Poslovni Sistem (Slovenia)	143	391	
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	365	6,800	Orco Property Group S.A. (Luxembourg)	511	458	
246,000	COFCO International Limited (China/Hong Kong)	114	127	6,000	Oriflame Cosmetics S.A., SDR (Sweden)	271	152	
110,000	Indiabulls Financial Services Limited (India)	380	321	15,800	Oslo Bors Holding ASA (Norway)	420	858	
1,640,000	Italian-Thai Development Public Company Limited, Foreign Reg. (Thailand)	610	522	5,200	RAO Gazprom, Reg S ADR (Russia)	260	212	
28,300	Maruti Udyog Limited, (India)	327	330	600	Sberbank (Russia)	332	430	
21,300	Matsui Securities Co., Ltd. (Japan)	273	343	2,450	Ship Finance International Limited (Norway)	68	60	
35,000	Patni Computer Systems Limited (India)	269	360	25,000	Turkcell Iletisim Hizmetleri Anonim Sirketi, ADR (Turkey)	423	516	
9,387	Punjab National Bank Limited (India)	101	102	5,555,000	Uralsvyazinform (Russia)	264	241	
300	Rakuten, Inc. (Japan)	278	316	6,000	Vimpel-Communications, ADR (Russia)	196	249	
14,000	Rediff.com India Limited, ADR (India)	175	119	<b>Total Europe (Excluding United Kingdom) - 19.5%</b>			4,130	5,011
70,000	Shaw Wallace & Company Ltd. (India)	157	417	<b>United Kingdom</b>				
30,500	The Siam Cement Public Company Limited, Foreign Reg. (Thailand)	208	249	110,000	Corin Group PLC	350	786	
391,200	Singamas Container Holdings Limited (China/Hong Kong)	373	413	1,100,000	Deal Group Media plc	245	534	
48	Yahoo Japan Corporation (Japan)	73	136	20,000	Detica Group plc	349	338	
<b>TOTAL ASIA</b>		<b>4,726</b>	<b>5,201</b>	145,000	fountains plc	513	515	
<b>AUSTRALIA - 0.9%</b>				50,000	Hornby Plc	300	270	
380,000	Tethyan Copper Company Limited	173	224	70,000	ICAP plc	376	439	
<b>TOTAL AUSTRALIA</b>		<b>173</b>	<b>224</b>	40,000	IP2IPO Group plc	399	640	
<b>EUROPE - 45.5%</b>				158,500	M&C Saatchi plc	516	498	
<b>Europe Excluding United Kingdom</b>				150,000	Numis Corporation Plc	341	648	
45,000	AO RITEK (Russia)	244	253	6,200	Rio Tinto plc	273	242	
6,000	Arlington Tankers Ltd. (Sweden)	156	171	600,000	The Stanley Gibbons Group Limited	619	1,364	
8,000	Central European Distribution Corporation (Poland)	227	322	600,000	UBC Media Group plc	467	401	
				<b>Total United Kingdom - 26.0%</b>			4,748	6,675
				<b>TOTAL EUROPE</b>			<b>8,878</b>	<b>11,686</b>

# Statement of Investments (continued)

March 31, 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 - 5.6%</b>				<b>LATIN AMERICA - 5.6%</b>			
80,000	Grupo Financiero Banorte, S.A. de C.V. (Mexico)	445	630	10,000	Maguire Properties, Inc.	337	287
61,000	Grupo Mexico, S.A. de C.V. - Ser B (Mexico)	369	387	18,000	Martha Stewart Living Omnimedia, Inc.	462	492
456,000	SARE Holding, S.A. de C.V., B (Mexico)	326	410	7,500	NBTY, Inc.	328	227
<b>TOTAL LATIN AMERICA</b>		<b>1,140</b>	<b>1,427</b>	15,000	Sotheby's Holdings, Inc., A	318	307
<b>NORTH AMERICA - 27.7%</b>				20,000	Symantec Corporation	721	516
<b>Canada</b>				10,000	Winnebago Industries, Inc.	306	382
200,000	AXMIN Inc.	234	100	<b>Total United States - 17.5%</b>			
81,500	Imperial Metals Corporation	597	595	<b>TOTAL NORTH AMERICA</b>		<b>6,959</b>	<b>7,121</b>
10,000	Niko Resources Ltd.	279	624	<b>TOTAL INVESTMENTS</b>			
20,000	Pan-Ocean Energy Corporation Limited, B SV	450	565	- March 31, 2005		21,876	25,659
230,000	Serica Energy Corp.	316	403	- December 31, 2004		20,727	24,188
4,600	Teekay Shipping Corporation	273	250	- March 31, 2004		20,892	24,925
30,000	WGI Heavy Minerals, Incorporated	310	87				
<b>Total Canada - 10.2%</b>		<b>2,459</b>	<b>2,624</b>				
<b>United States</b>							
14,000	Apple Computer Inc.	560	706				
10,000	eBay Inc.	355	451				
1,500	Google Inc.	267	327				
7,000	Harley-Davidson, Inc.	471	489				
10,000	International Securities Exchange Inc., A	375	313				

## OFFICE OF THE COMPANY

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## MANAGER

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## AUDITORS

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Toronto

## BANKERS

Bank of Montreal  
Toronto

## SOLICITORS

Blake, Cassels & Graydon LLP  
Toronto

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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.

