



CWF

Canadian World Fund  
Limited



# Investing *in* global opportunities

CANADIAN WORLD FUND LIMITED

110 Yonge Street, Suite 1601

Toronto, Ontario, Canada M5C 1T4

Telephone: (416) 366-2931

Toll Free: 1-866-443-6097

Fax: (416) 366-2729

e-mail: [cwffund@mmainvestments.com](mailto:cwffund@mmainvestments.com)

website: [www.mmainvestments.com](http://www.mmainvestments.com)

2

SECOND QUARTER REPORT

June 30, 2002

CANADIAN WORLD FUND AT JUNE 30 WAS STILL AHEAD OF THE GLOBAL BENCHMARK. Net asset value per share (NAV) was down 4.3% in comparison with a decline of 13.3% year-to-date for the Morgan Stanley All-Country World Free Index, expressed in Canadian dollars.

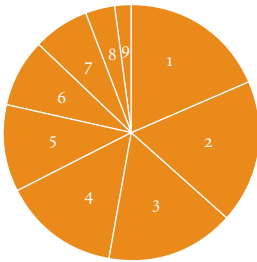


CBF's NAV declined to \$4.43 at the end of the quarter from \$4.70 at March 31, 2002. However, given volatile global conditions, our portfolio is positioned to regain the high ground on the next upswing. We are largely focussed on special situations and to a lesser extent the economic and political events in individual country markets and associated extremes of volatility. Good buys are to be found in all markets, not least in Russia, China, Japan and among international companies based in Canada. The potential for strong gains and rebounds is evident. For example, British Energy PLC, our biggest current setback, is a strong beneficiary of Ontario and U.S. nuclear power redevelopment and is the lead contender for nuclear power management in other countries. What it now needs is the next recovery trend in electricity prices in the U.K., its home market.

In the latest quarter in Europe, we purchased Arcelor NPV, the world's leader in steel, and Autoroutes du Sud de la France, the toll roads giant privatized in April. We exchanged Enterprise Oil PLC, at the take-out premium, for BG Group PLC, the remaining major energy play in the U.K. We purchased Bang & Olufsen A/S in Denmark and also NEG Micon A/S, the wind power turbine manufacturer.

In Japan, we were attracted to Taisei Lamick Co. Ltd., a newly public company important in film packaging materials and machinery. Further purchases are

WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET\*  
June 30, 2002



	%
1 Financials	18.5
2 Consumer Staples	18.1
3 Consumer Discretionary	16.2
4 Materials	14.7
5 Health Care	11.0
6 Industrials	8.6
7 Utilities	7.1
8 Information Technology	3.7
9 Energy	2.1

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

contemplated in Japan where “second tier” domestic economy stocks have been convincing outperformers.

In the U.K., we invested in Corin Group PLC, a company recently offered to the public which has 50% of the home market in metal to metal hip and knee replacements. It has a profitable 17 year history, ambitious U.S. expansion plans and is well established in Germany, Japan and Australia, both in aging population segments and, somewhat ironically, among mainly younger fitness enthusiasts who are experiencing accelerated joint wear and tear.

Canadian holdings with international activities have been stepped up – Cinram International Inc., a DVD play; Imax Corporation, the wide screen entertainer, for its revival potential; Magna Entertainment Corp. which is expanding in race track ownership in the U.S.; and, Repadre Capital Corporation which is a developing resources royalties play in Canada, Africa and elsewhere. We also recognize that the Canadian dollar could continue its uptrend, in response to the attraction of the economy and moderate increases in interest rates.

CWF is a widely diversified bottom-up fund that stands virtually alone on the TSX for consideration by investors who want a global investment at a deep discount to net assets.

Dividend paying securities are favored in our work toward achieving total return. We have strong research connections in all world markets to support our search for growth and income prospects.

CWF was presented by the Manager at investor relations meetings at many financial advisory and broking offices through the period under review in order to encourage interest in the Company.



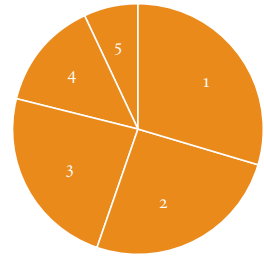
Vanessa L. Morgan, *Chairman*



Michael A. Smedley, *President*

**GEOGRAPHIC WEIGHTING OF PORTFOLIO INVESTMENTS AT MARKET**

June 30, 2002



	%
1 North America	29.6
2 Europe (excluding U.K.)	25.7
3 United Kingdom	23.6
4 Asia	14.1
5 Latin America	7.0

**TOP TEN INVESTMENTS\* AT MARKET**

*Excluding cash*

June 30, 2002

	%
TVX Gold Inc. - <i>Canada</i>	4.0
Mercator Poslovni Sistem - <i>Slovenia</i>	3.4
Cheung Kong (Holdings) Limited	
- <i>China/Hong Kong</i>	3.2
Weight Watchers International, Inc. - <i>United States</i>	3.1
Pilkington PLC - <i>United Kingdom</i>	3.0
Anglo Irish Bank Corporation - <i>Ireland</i>	2.9
Companhia de Bebidas das Americas (Ambev) - <i>Brazil</i>	2.8
Grupo Aeroportuario del Sureste S.A. de C.V. - <i>Mexico</i>	2.8
Euro-Asia Agricultural (Holdings) Company Limited - <i>China/Hong Kong</i>	2.7
Alliance & Leicester PLC - <i>United Kingdom</i>	2.7
<b>Total</b>	<b>30.6</b>

\* Portfolio details on pages 8-9

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Despite the negative impact of weak international markets on the portfolio values of Canadian World Fund Limited (CWF) during the second quarter of 2002 and a strengthening Canadian dollar, CWF continued to well outperform its benchmark.

### Net Assets

At quarter-end, CWF's net assets were \$18,175,000, down 5.6% and 4.4% from March 31, 2002 and year-end 2001, respectively, outperforming the Corporation's benchmark, the Morgan Stanley All-Country World Free Index. The index was down 13.8% and 13.3% for the corresponding periods. All returns are expressed in Canadian dollar terms, reflecting the 4.6% appreciation of the Canadian dollar vis-à-vis the U.S. dollar for the first six months of 2002. The Corporation does not employ currency hedging, but is well diversified by country, region and theme. On a per share basis, the related net asset values per share at June 30, 2002, March 31, 2002 and December 31, 2001 were \$4.43, \$4.70 and \$4.63.

Bank borrowings employed for leverage purposes have remained at the \$4.1 million level throughout 2002. The weighted average borrowing rate was 3.3% at June 30, 2002, significantly lower than the 5.8% rate at June 30, 2001.

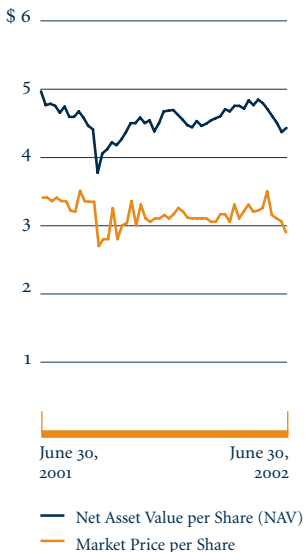
### Operations

CWF had net investment income of \$67,000 for the first six months of 2002, a significant improvement on the net investment loss of \$213,000 for the same period in 2001.

Total investment income for the three and six-month periods to June 30, 2002 increased by 37.4% and 29.5%, respectively, from the corresponding periods in 2001. The increase primarily resulted from the receipt of dividends from Grupo Aeroportuario del Sureste S.A. de C.V., including an extraordinary dividend received in June 2002. Dividends from this security represented approximately 21.1% of total dividend income earned in the first six months of 2002. In addition, significant dividends were received from holdings purchased in late 2001 and early 2002, including Standard Chartered PLC, Ekornes ASA and Euro-Asia Agricultural (Holdings) Company Limited.

#### COMPARISON OF MARKET PRICE TO NAV

Twelve months ended June 30, 2002



Total expenses for the three and six-month periods to June 30 this year decreased by 17.3% and 20.9%, respectively, primarily as a result of lower management fees and interest costs. Management fees were down 9.3% and 18.1%, respectively, as a result of the decline in portfolio value. Management fees are calculated in arrears at 1.5% per annum of net asset value without a deduction for tax liabilities. Interest expense was 40.4% and 43.5% lower than the three and six-month periods to June 30, 2001 due to declining interest rates.

No income tax recovery was recorded for the realized loss on investments incurred in the first six months of 2002. Since CWF is in a taxable loss situation for accounting purposes, the Corporation does not meet the defined criteria required to recognize a recovery. In addition, no income tax provision was recorded for the net investment income incurred in the first two quarters this year, since CWF had carryforward losses available from prior years.

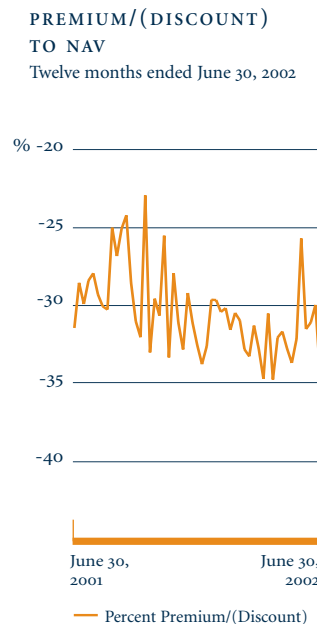
In the current quarter, the net realized gain on investments was \$579,000 as compared to a gain of \$447,000 in the second quarter of 2001. On a year-to-date basis, the net realized loss on investments in 2002 and 2001 was \$514,000 and \$35,000, respectively. As a result of the decline in market values and realization of gains on investments in the second quarter of 2002, the unrealized loss on investments increased by \$1,785,000 in the period, compared to a corresponding increase of \$1,465,000 last year. As at June 30, 2002, CWF had an unrealized loss investments of \$876,000, as compared to an unrealized loss of \$497,000 at the 2001 year-end.

### Discount

CWF's market price per share closed the quarter at \$2.90, down 8.2% from March 31, 2002 and 7.9% from the end of last year, while the average market price for the quarter was \$3.23. The discount to net asset value per share (NAV) ranged from 25.7% to 34.7% during the second quarter, closing at 34.5%, up from the 32.8% level at the end of the first quarter of this year and 32.0% at year-end.

### Outlook

CWF's primary objectives will continue to be the maintenance of a diversified portfolio with bottom-up stock selection while minimizing volatility. Income generating securities and Canadian investments are components of the strategy, which is mainly intended to provide investors with a position in the global market.



## STATEMENTS OF NET ASSETS

<i>(in thousands of dollars, except per share amounts)</i>	As at June 30, 2002	As at December 31, 2001	As at June 30, 2001
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	\$	\$	\$
<b>Assets</b>			
Investments	<b>21,299</b>	21,414	23,449
Cash	<b>781</b>	1,496	245
Receivable on securities sold	–	922	–
Accrued interest and dividends	<b>73</b>	29	71
Income taxes recoverable	<b>95</b>	365	437
	<b>22,248</b>	24,226	24,202
<b>Liabilities</b>			
Bank indebtedness	<b>4,046</b>	4,068	3,694
Payable on securities purchased	–	1,108	142
Accounts payable and accrued liabilities	<b>27</b>	47	24
	<b>4,073</b>	5,223	3,860
<b>Net Assets</b>	<b>18,175</b>	19,003	20,342
<b>Shareholders' Equity</b>			
Capital stock	<b>20,507</b>	20,507	20,507
Unrealized loss on investments	<b>(876)</b>	(497)	(182)
Retained earnings (deficit)	<b>(1,456)</b>	(1,007)	17
	<b>18,175</b>	19,003	20,342
<b>Number of shares outstanding</b>	<b>4,101,350</b>	4,101,350	4,101,350
<b>Net asset value per share</b>	<b>4.43</b>	4.63	4.96

### 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, 2001. 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		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	\$	\$	\$	\$
<b>Investment income</b>				
Dividends	254	169	329	234
Interest	7	21	22	37
	261	190	351	271
<b>Expenses</b>				
Management fees	78	86	154	188
Interest	31	52	61	108
Directors' fees	8	8	17	14
Other	31	33	60	59
	148	179	292	369
Investment income (loss) before income taxes	113	11	59	(98)
Income tax provision (recovery)	(8)	161	(8)	115
Net investment income (loss)	121	(150)	67	(213)
<b>Realized and unrealized gain (loss) on investments</b>				
Net realized gain (loss) on investments	579	447	(514)	(35)
Change in unrealized depreciation of investments	(1,785)	(1,465)	(379)	(3,782)
Net loss on investments	(1,206)	(1,018)	(893)	(3,817)
Decrease in net assets resulting from operations	(1,085)	(1,168)	(826)	(4,030)

## STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(Unaudited)

(in thousands of dollars)	Three months ended		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	\$	\$	\$	\$
Retained earnings (deficit) – Beginning of period	(2,154)	(280)	(1,007)	265
Net investment income (loss) for the period	121	(150)	67	(213)
Net realized gain (loss) on investments	579	447	(514)	(35)
Provision for refundable dividend tax on hand	(2)	-	(2)	-
Retained earnings (deficit) – End of period	(1,456)	17	(1,456)	17

## STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited)

(in thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	\$	\$	\$	\$
Decrease in net assets resulting from operations	(1,085)	(1,168)	(826)	(4,030)
Increase in refundable dividend tax on hand	(2)	-	(2)	-
Net assets – Beginning of period	19,262	21,510	19,003	24,372
Net assets – End of period	18,175	20,342	18,175	20,342

## STATEMENTS OF NET LOSS ON INVESTMENTS

(Unaudited)

(in thousands of dollars)

	Three months ended		Six months ended	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
	\$	\$	\$	\$
Proceeds from disposition of investments	4,282	3,034	7,567	10,824
Investments at cost, beginning of period	22,047	19,685	21,911	21,264
Investments purchased during the period	3,831	6,400	8,345	13,226
Investments at cost, end of period	(22,175)	(23,631)	(22,175)	(23,631)
Cost of investments disposed of during the period	3,703	2,454	8,081	10,859
Realized gain (loss) on disposition of investments before income taxes	579	580	(514)	(35)
Income tax on realized net taxable capital gains	-	133	-	-
Net realized gain (loss) on investments	579	447	(514)	(35)
Change in unrealized depreciation of investments	(1,785)	(1,465)	(379)	(3,782)
Net loss on investments	(1,206)	(1,018)	(893)	(3,817)

## STATEMENT OF INVESTMENTS

June 30, 2002

Number of Shares or Par Value	Investment	Cost	Market Value
<i>(in thousands of dollars)</i>			
<b>ASIA – 14.1%</b>			
54,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	\$ 823	\$ 683
940,000	China Rare Earth Holdings Limited (China/Hong Kong)	459	324
492,000	Convenience Retail Asia Limited (China/Hong Kong)	231	278
8,000	Dr. Reddy's Laboratories Limited ADR (India)	231	236
1,280,000	Euro-Asia Agricultural (Holdings) Company Limited (China/Hong Kong)	472	586
18,750	ICICI Bank Limited ADR (India)	152	199
6,500	Taisei Lamick Co., Ltd. (Japan)*	303	301
700,000	Xinao Gas Holdings Limited (China/Hong Kong)	190	388
	<b>TOTAL ASIA</b>	<b>2,861</b>	<b>2,995</b>

### EUROPE – 49.3%

<i>Europe Excluding United Kingdom</i>			
64,000	Anglo Irish Bank Corporation PLC (Ireland)	308	626
14,000	Arcelor SA (France)*	301	301
7,880	Autoroutes du Sud de la France SA (France)*	298	325
11,000	Bang & Olufsen A/S B (Denmark)*	488	441
6,800	Converium Holding AG ADR (Switzerland)	257	266
19,000	Ekornes ASA (Norway)	317	363
13,000	Interbrew S.A./N.V. (Belgium)	521	566
4,950	Mercator Poslovni Sistem (Slovenia)	471	732
6,000	NEG Micon A/S (Denmark)*	319	278
10,000	Oslo Bors Holding ASA (Norway)	212	359

Number of Shares or Par Value	Investment	Cost	Market Value
<i>(in thousands of dollars)</i>			
7,700	Renault S.A. (France)	\$ 541	\$ 546
13,000	Union Fenosa, S.A. (Spain)	312	362
10,000	Wimm-Bill-Dann Foods OJSC ADR (Russia)	339	320
	<b>Total Europe (Excluding United Kingdom) – 25.7%</b>	<b>4,684</b>	<b>5,485</b>
<i>United Kingdom</i>			
30,000	Alliance & Leicester PLC	390	575
66,000	BG Group PLC*	457	437
11,500	Bloomsbury Publishing PLC	226	196
150,000	British Energy PLC	919	460
65,000	Centrica PLC	197	306
100,000	Corin Group PLC*	313	291
85,000	The Establishment Investment Trust PLC	193	195
140,000	Goshawk Insurance Holdings PLC	352	267
93,500	Legal & General Group PLC	340	283
300,000	Pilkington PLC	816	644
32,000	Shire Pharmaceuticals Group PLC	606	430
24,000	Standard Chartered PLC	467	389
100,000	Tesco PLC	587	552
	<b>Total United Kingdom – 23.6%</b>	<b>5,863</b>	<b>5,025</b>
	<b>TOTAL EUROPE</b>	<b>10,547</b>	<b>10,510</b>

### LATIN AMERICA – 7.0%

10,000	Bunge Limited (Argentina)	255	320
25,000	Companhia de Bebidas das Americas (Ambev) ADR preference shares (Brazil)	911	590
30,000	Grupo Aeroportuario del Sureste S.A. de C.V. ADR (Mexico)	780	588
	<b>TOTAL LATIN AMERICA</b>	<b>1,946</b>	<b>1,498</b>

STATEMENT OF INVESTMENTS (continued)

Number of Shares or Par Value	Investment	Cost	Market Value
(in thousands of dollars)			
<b>NORTH AMERICA – 29.6%</b>			
<i>Canada</i>			
34,900	Cinram International Inc.*	\$ 358	\$ 361
20,000	Imax Corporation†	217	174
35,000	Magna Entertainment Corp. A*	420	371
25,000	Noranda Inc.	463	479
25,000	Repadre Capital Corporation*	203	197
30,000	Sun Gro Horticulture Income Fund	300	329
40,000	TVX Gold Inc.	428	860
	<b>Total Canada – 13.0%</b>	<b>2,389</b>	<b>2,771</b>
<i>United States</i>			
5,000	Amgen Inc.	462	318
10,000	Arch Coal, Inc.	429	345
10,000	Carolina Group	463	411
5,000	The Charles Schwab Corporation	118	85
20,000	deCODE GENETICS, INC.	557	142
50,000	Handspring, Inc.	402	132
5,000	Kraft Foods Inc.	265	311
14,500	Navigant International, Inc.	274	341
5,000	Pfizer Inc.	334	266
4,000	The Robert Mondavi Corporation A	206	208
10,000	UTStarcom, Inc.	381	306
10,000	Weight Watchers International, Inc.	541	660
	<b>Total United States – 16.6%</b>	<b>4,432</b>	<b>3,525</b>
	<b>TOTAL NORTH AMERICA</b>	<b>6,821</b>	<b>6,296</b>

**TOTAL INVESTMENTS – 100.0%**

– June 30, 2002	\$ 22,175	\$ 21,299
– December 31, 2001	\$ 21,911	\$ 21,414
– June 30, 2001	\$ 23,631	\$ 23,449

Changes from March 31, 2002: \* New Holdings; † Increased Holdings

## CORPORATE INFORMATION

### CANADIAN WORLD FUND LIMITED

#### OFFICE OF THE COMPANY

110 Yonge Street, Suite 1601  
Toronto, Ontario, Canada M5C 1T4  
Telephone: (416) 366-2931  
Toll Free: 1-866-443-6097  
Fax: (416) 366-2729  
e-mail: cwffund@mmainvestments.com  
website: www.mmainvestments.com

#### MANAGER

Morgan Meighen & Associates Limited  
Toronto

#### AUDITORS

PricewaterhouseCoopers LLP  
Toronto

#### BANKERS

Bank of Montreal  
Toronto

#### SOLICITORS

Blake Cassels & Graydon LLP  
Toronto

#### CANADIAN REGISTRAR AND TRANSFER AGENT

Computershare Trust Company  
of Canada  
100 University Avenue, 9th Floor  
Toronto, Ontario, Canada M5J 2Y1  
Toll Free: 1-800-663-9097  
Fax: (416) 981-9507  
e-mail: mmamail@computershare.com

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

#### STOCK DATA

June 30, 2002:

Price	\$ 2.90
Net Asset Value	\$ 4.43
Discount	34.5%

#### PUBLICATION

Net asset value per share (NAV) and/  
or market price, market return, and  
discount information 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 discount  
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.*

