

**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)

Managed by:



**MorganMeighen**  
& ASSOCIATES

Investment Managers



**CWF**

Canadian World Fund  
Limited

2005

GLOBAL  
OPPORTUNITIES

2

*Second Quarter Report*  
June 30, 2005

# Report to Shareholders

For the 12 month period to June 30, 2005, Canadian World Fund Limited's (CWF) net asset value per share (NAV) was up 8.8% and its share price was up a commendable 18.6%. The benchmark Morgan Stanley All-Country World Free Index, expressed in Canadian dollars, was down a static 0.2%. CWF's NAV reached the half year down 0.7% vs. a 0.4% gain for its benchmark. The TSX-listed common shares of CWF were up 3.8% at June 30, 2005.

Major global stock markets in the first half were widely differentiated in performance, good in local currency but mostly negative against a U.S. dollar, which has been showing steadier behavior after a long downtrend. The emerging markets, on the other hand, generally outran the major markets in both local and U.S. currency terms. As CWF's portfolio content is a blend of both groups, the effects tend to be neutral.

The Corporation reached a milestone in the latest quarter with approximately 50% of accumulated gains realized in June, introducing positive retained earnings to the Corporation's financial accounts for the first time since before the World Trade Center disaster and the bursting of the "tech bubble".

Another constructive change occurring recently is the Canadian Government's removal of the 30% limit on



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

foreign content in registered plans. This makes CWF shares fully eligible in formerly restricted accounts, potentially broadening share ownership. In our opinion, the rule change should not result in significant defection from Canadian equities as international investments carry currency risk. However, the skill required for constructing and monitoring an international portfolio could well draw investors to Canadian World Fund as a professionally managed, TSX-listed global equity fund.

**Vanessa L. Morgan**  
*Chairman*

**Jonathan A. Morgan**  
*President & CEO*

## Top Ten Investments at Market\* – June 30, 2005

(Portfolio details on pages 8-9)

	%		%
The Stanley Gibbons Group Limited - United Kingdom	4.8	HDFC Bank Ltd., - India	2.4
Oslo Bors Holding ASA - Norway	3.7	Corin Group PLC - United Kingdom	2.3
Apple Computer Inc. - United States	3.5	Grupo Financiero Banorte, S.A. de C.V. - Mexico	2.3
Sprint Corporation - United States	3.2	Pan-Ocean Energy Corporation Limited - Canada	2.2
Google Inc., - United States	2.4	Orco Property Group S.A. - Luxembourg	2.2
		<b>Total</b>	<b>29.0</b>

\*Excludes cash.

## INVESTMENT COMMENTARY

CWF's portfolio composition remained weighted through the half year to June 30, toward the world's most liquid and developed major markets – New York and London, while at the same time invested in 13 countries, also on a bottom-up selection basis. Overall, our U.S. component ended the period slightly down, much in line with the New York market, while U.K. holdings exceeded the return of the London market.

Among the top ten holdings, there were several changes during the quarter. New investments Sprint Corporation, the largest independent wireless operator in the U.S. and HDFC Bank Ltd., a major mortgage bank in India, were among the ten largest holdings. The Orco Property Group S.A. holding was increased, moving this East European property developer into the top ten. Moving down in weighting and exiting the top ten, on realization of partial gains, were Numis Corporation Plc., a high growth U.K. investment dealer and Niko Resources Ltd., a Canadian oil and gas company establishing big reserves in India.

In an expansion of our energy holdings, we have returned to InterOil Corporation. This Canadian operator in Papua New Guinea (PNG) is emerging as a fully integrated energy company. It is generating cash flows from its newly completed refinery, expanding its exploration capacity and

finalizing an acquisition of the retail chains of BP and Shell in PNG. The shares, \$32.70 at June 30, traded as high as \$53 earlier in the year. Energy sector newcomers in the portfolio include: Delta Petroleum Corporation, a small cap play on recovery in earnings, mainly focused on a large acreage in the Columbia River Basin in the U.S., and GeoGlobal Resources Inc., a participant in what is claimed to be a spectacular gas find offshore India.

Another recent purchase is PartyGaming Plc, the giant online poker site, following its initial offering in London. We believe this holding offers dominance, growth and expansion beyond present services, plus a dividend yield of about 3%.

Tethyan Copper Company Limited, in a rich copper region of Pakistan and trading on the Australian market, is subject to a hostile bid and we have increased that position.

There are numerous other additions to the portfolio. Please refer to the Statement of Investments, on pages 8 and 9 of this Report.

**Michael A. Smedley**, *Chief Portfolio Officer of the Manager*  
**Alexander Sulzer**, *Vice-President of the Manager*

### Weighting of Portfolio Investments at Market – June 30, 2005

	%
North America	36.3
United Kingdom	26.0
Asia	19.3
Europe (excluding U.K.)	10.9
Other	7.5
<b>Total</b>	<b>100.0</b>

### Economic Sector Weighting of Portfolio Investments at Market\* – June 30, 2005

	%
Financials	26.9
Consumer Discretionary	23.1
Information Technology	12.7
Energy	10.5
Materials	8.3
Industrials	8.0
Telecommunication Services	4.6
Consumer Staples	3.6
Health Care	2.3
<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's (CWF) net asset value per share (NAV) returns for the six and three month periods ended June 30, 2005 were -0.7% and -2.0%, respectively. By comparison, the returns of the benchmark Morgan Stanley All-Country World Free Index for the same periods were -1.4% and 0.0%, or 0.4% and 1.3% when expressed in Canadian dollar terms.

Performance of major foreign markets was mixed, as represented by the slightly negative to flat performance of the benchmark for both the six and three month periods in 2005. Year-to-date, the Canadian dollar depreciated by 1.8% in relation to the U.S. dollar and appreciated by 4.7% against the British pound.

## OPERATIONS

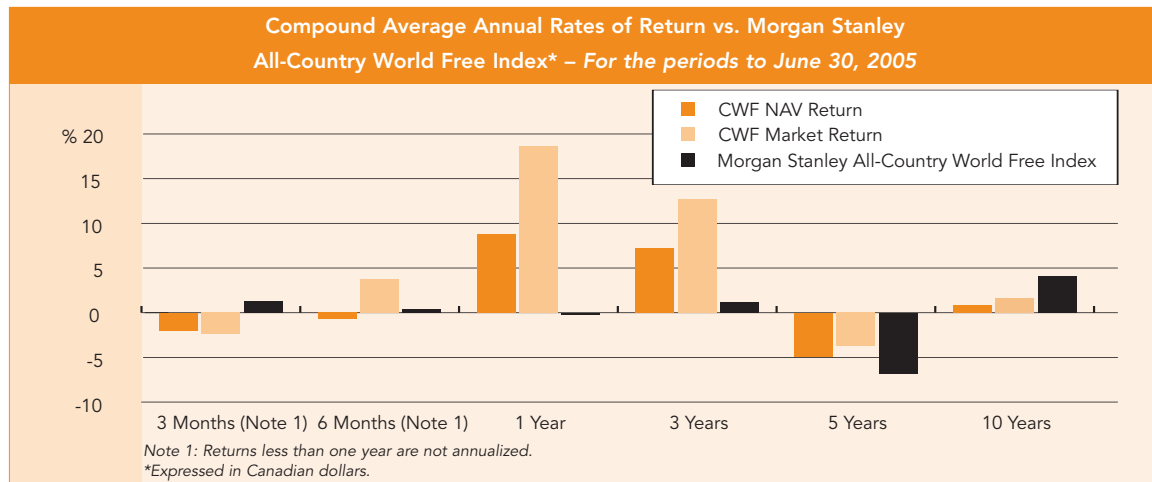
For the six months, CWF had a decrease in net assets resulting from operations of \$192,000, or \$0.05 per share. For the corresponding period in 2004, there was an increase in net assets resulting from operations of \$908,000, or \$0.22 per share.

There was a net loss on investments of \$32,000 for the six months ended June 30, 2005, comprised of a net realized gain on investments of \$2,138,000 and a decrease in unrealized gain on investments of \$2,170,000. This

compares to a net gain on investments of \$1,051,000 for the six month period in 2004.

There was significant trading activity during the second quarter of 2005 as the portfolio underwent realignment. This resulted in the realization of significant gains and contributed to the decline in unrealized gain on investments to \$1,291,000 at the end of the half year, from \$3,783,000 at the end of the first quarter. Some of the largest gains realized during the latest quarter were on the disposition of Shaw Wallace & Company Ltd., Mercator Poslovni Sistem, Bharat Electronics Limited, and on the partial sale of Corin Group PLC. Gains from sales of these securities totaled approximately \$857,000.

CWF had a net investment loss of \$160,000 for the first six months this year, versus a loss of \$143,000 for the same period last year. Total investment income was up 28.5% to \$257,000 for the first half of 2005, compared to \$200,000 last year. This increase was primarily due to large dividend payments received from Oslo Bors Holding ASA and Frontline Ltd. during the second quarter. Total expenses for the six months to June 30 increased by 21.6%, as measured against the first half of 2004, influenced by higher management fees, professional fees, directors' fees and custodial charges. Management fees, which rose 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.

CWF's bank borrowings, employed for leverage purposes, remained at \$4.1 million during the first six months of 2005, the same as last year, as the Corporation continued to take advantage of low interest rates. The year-to-date weighted average borrowing rate at June 30, 2005 was 3.3%, slightly higher than the 3.2% for the same period in 2004. The Corporation borrows funds under a demand credit facility of \$5.0 million, subject to certain covenants.

### TAXATION

The corporation's future income taxes on unrealized net capital gains at June 30, 2005 have been reduced by the tax benefit of income tax loss carryforwards from previous years.

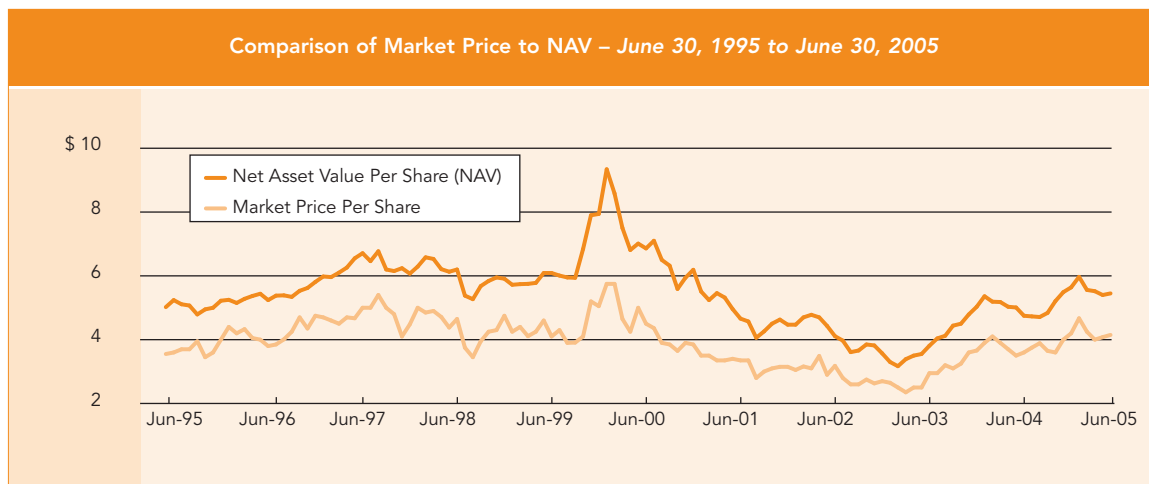
### INVESTMENT OBJECTIVE AND STRATEGIES

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 therefore the Corporation does not employ currency hedging.

### OUTLOOK

Both developed and emerging markets will continue to produce opportunities in the year ahead and CWF's performance will continue to reflect global volatility and remain targeted on positive year-end results.



## Statements of Net Assets

	As at June 30, 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	24,303	24,188
Cash	2,724	1,987
Receivable on securities sold	1,098	440
Dividends receivable	30	33
Income taxes recoverable	14	2
	<b>28,169</b>	26,650
<b>Liabilities</b>		
Bank indebtedness	4,092	4,076
Payable on securities purchased	1,579	-
Accounts payable and accrued liabilities	47	48
Future income taxes on unrealized net capital gains	117	-
	<b>5,835</b>	4,124
<b>Net Assets</b>	<b>22,334</b>	22,526
<b>Shareholders' Equity</b>		
Capital stock	20,507	20,507
Unrealized gain on investments*	1,291	3,461
Retained earnings (deficit)	536	(1,442)
	<b>22,334</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>5.45</b>	5.49

\* Refer to analysis provided in the accompanying Schedule of Realized and Unrealized Gains (Losses) 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		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<i>(Unaudited)</i>				
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$	\$	\$
<b>Investment income</b>				
Dividends	176	108	252	199
Interest	2	-	5	1
	178	108	257	200
<b>Expenses</b>				
Management fees	92	85	182	164
Interest	35	31	68	64
Investor relations	16	20	26	27
Directors' fees	16	11	34	21
Other	55	24	107	67
	214	171	417	343
<b>Net investment loss for the period</b>	(36)	(63)	(160)	(143)
<b>Realized and unrealized gains (losses) on investments*</b>				
Net realized gain on investments	2,052	954	2,138	2,300
Change in unrealized gain on investments - net of future income taxes	(2,492)	(1,651)	(2,170)	(1,249)
<b>Net gain (loss) on investments</b>	(440)	(697)	(32)	1,051
<b>Increase (decrease) in net assets resulting from operations for the period</b>	(476)	(760)	(192)	908
<b>Increase (decrease) 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)	(0.12)	(0.19)	(0.05)	0.22

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

## Statements of Retained Earnings (Deficit)

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<i>(Unaudited)</i>				
<i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>Deficit - Beginning of period</b>	(1,481)	(3,234)	(1,442)	(4,499)
Net investment loss for the period	(36)	(63)	(160)	(143)
Net realized gain on investments*	2,052	954	2,138	2,300
Net decrease (increase) in refundable dividend tax on hand	1	-	-	(1)
<b>Retained earnings (deficit) - End of period</b>	536	(2,343)	536	(2,343)

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

## Statements of Cash Flows

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<i>(Unaudited)</i> <i>(in thousands of dollars)</i>	\$	\$	\$	\$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Increase (decrease) in net assets resulting from operations for the period	(476)	(760)	(192)	908
Add (deduct) non-cash items				
Net realized gain on investments	(2,052)	(954)	(2,138)	(2,300)
Change in unrealized gain on investments	2,375	1,651	2,053	1,249
Increase in future income taxes on unrealized gain on investments	117	-	117	-
Purchases of investments during the period	(7,331)	(4,229)	(12,825)	(9,881)
Proceeds of disposition of investments during the period	8,364	3,871	12,795	9,170
Net change in non-cash balances related to operations	1,155	437	911	570
	2,152	16	721	(284)
<b>Financing activities</b>				
Increase in bank indebtedness	8	1	16	515
Decrease (increase) in refundable dividend tax on hand	1	-	-	(1)
	9	1	16	514
<b>Net increase in cash during the period</b>	<b>2,161</b>	<b>17</b>	<b>737</b>	<b>230</b>
<b>Cash - Beginning of period</b>	<b>563</b>	<b>634</b>	<b>1,987</b>	<b>421</b>
<b>Cash - End of period</b>	<b>2,724</b>	<b>651</b>	<b>2,724</b>	<b>651</b>

## Schedule of Realized and Unrealized Gains (Losses) on Investments

	Three Months Ended		Six Months Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
<i>(Unaudited)</i> <i>(in thousands of dollars)</i>	\$	\$	\$	\$
The net realized gain on investments was as follows:				
Proceeds from disposition of investments	8,364	3,871	12,795	9,170
Investments at cost - Beginning of period	21,876	20,892	20,727	19,193
Investments purchased during the period	7,331	4,229	12,825	9,881
Investments at cost - End of period	(22,895)	(22,204)	(22,895)	(22,204)
Cost of investments disposed of during the period	6,312	2,917	10,657	6,870
<b>Net realized gain on investments</b>	<b>2,052</b>	<b>954</b>	<b>2,138</b>	<b>2,300</b>
The unrealized gain on investments was as follows:				
Unrealized gain on investments - Beginning of period	3,783	4,033	3,461	3,631
Change in unrealized gain on investments - net of future income taxes	(2,492)	(1,651)	(2,170)	(1,249)
<b>Unrealized gain on investments - End of period</b>	<b>1,291</b>	<b>2,382</b>	<b>1,291</b>	<b>2,382</b>

# Statement of Investments

June 30, 2005 (Unaudited)

Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>ASIA - 19.3%</b>			
14,000	Britannia Industries Ltd. (India)	324	357
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	406
246,000	COFCO International Limited (China/Hong Kong)	114	144
10,000	HDFC Bank Ltd., ADR (India)	579	570
110,000	Indiabulls Financial Services Limited (India)	380	502
1,640,000	Italian-Thai Development Public Company Limited, Foreign Reg (Thailand)	610	464
25,000	Mahindra & Mahindra Limited (India)	407	393
28,300	Maruti Udyog Limited (India)	327	371
21,300	Matsui Securities Co., Ltd. (Japan)	273	281
9,387	Punjab National Bank Limited (India)	101	100
300	Rakuten, Inc. (Japan)	278	295
14,000	Rediff.com India Limited, ADR (India)	175	125
30,500	The Siam Cement Public Company Limited, Foreign Reg. (Thailand)	208	219
391,200	Singamas Container Holdings Limited (China/Hong Kong)	373	330
48	Yahoo Japan Corporation (Japan)	73	124
<b>TOTAL ASIA</b>		<b>4,740</b>	<b>4,681</b>
<b>AUSTRALIA - 1.9%</b>			
680,000	Tethyan Copper Company Limited	375	457
<b>TOTAL AUSTRALIA</b>		<b>375</b>	<b>457</b>

Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>EUROPE - 36.9%</b>			
<b>Europe Excluding United Kingdom</b>			
8,000	Central European Distribution Corporation (Poland)	227	366
7,000	Frontline Ltd. (Norway)	352	345
20,000	International Maritime Exchange ASA (Norway)	352	281
7,800	Orco Property Group S.A. (Luxembourg)	580	541
15,800	Oslo Bors Holding ASA (Norway)	420	888
5,555,000	Uralsyazinform (Russia)	264	230
<b>Total Europe (Excluding United Kingdom) - 10.9%</b>		<b>2,195</b>	<b>2,651</b>
<b>United Kingdom</b>			
70,000	Corin Group PLC	223	569
1,500,000	Daniel Stewart Securities plc	470	387
1,000,000	Deal Group Media plc	271	456
20,000	Detica Group plc	349	380
145,000	fountains plc	513	484
50,000	Hornby plc	300	246
40,000	IP2IPO Group plc	399	488
158,500	M&C Saatchi plc	516	453
75,000	Numis Corporation Plc	170	344
115,000	PartyGaming Plc	334	377
6,200	Rio Tinto plc	273	233
575,000	The Stanley Gibbons Group Limited	593	1,169
100,000	Topps Tiles Plc	406	400
600,000	UBC Media Group plc	467	339
<b>Total United Kingdom - 26.0%</b>		<b>5,284</b>	<b>6,325</b>
<b>TOTAL EUROPE</b>		<b>7,479</b>	<b>8,976</b>

# Statement of Investments (continued)

June 30, 2005 (Unaudited)

Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>LATIN AMERICA - 5.6%</b>			
70,000	Grupo Financiero Banorte S.A. de C.V. (Mexico)	468	565
183,000	Grupo Mexico S.A. de C.V., B (Mexico)	369	365
456,000	SARE Holding, S.A. de C.V., B (Mexico)	326	418
<b>TOTAL LATIN AMERICA</b>		1,163	1,348
<b>NORTH AMERICA - 36.3%</b>			
<b>Canada</b>			
200,000	AXMIN Inc.	234	91
45,000	GeoGlobal Resources Inc.	421	422
81,500	Imperial Metals Corporation	597	485
15,000	InterOil Corporation	487	491
24,400	Logibec Groupe Informatique Ltd.	265	308
5,000	Niko Resources Ltd.	139	288
20,000	Pan-Ocean Energy Corporation Limited, B SV	450	545
230,000	Serica Energy Corp.	316	380
4,600	Teekay Shipping Corporation	273	247
30,000	WGI Heavy Minerals, Incorporated	310	66
<b>Total Canada - 13.6%</b>		3,492	3,323

Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>United States</b>			
19,000	Apple Computer Inc.	799	857
15,000	Comstock Homebuilding Companies, Inc.	468	445
25,000	Delta Petroleum Corporation	372	432
1,600	Google Inc., A	581	577
7,000	Harley-Davidson, Inc.	471	426
10,000	International Securities Exchange Inc., A	375	308
30,000	LaBranche & Co Inc.	278	232
8,000	Martha Stewart Living Omnimedia, Inc.	205	286
15,000	Sothebys Holdings, Inc., A	318	252
25,000	Sprint Corporation	752	769
20,000	Symantec Corporation	721	533
10,000	Winnebago Industries, Inc.	306	401
<b>Total United States - 22.7%</b>		5,646	5,518
<b>TOTAL NORTH AMERICA</b>		9,138	8,841
<b>TOTAL INVESTMENTS</b>			
- June 30, 2005		22,895	24,303
- December 31, 2004		20,727	24,188
- June 30, 2004		22,204	24,586

## 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](mailto:cwffund@mmainvestments.com)  
website: [www.mmainvestments.com](http://www.mmainvestments.com)

## MANAGER

Morgan Meighen & Associates Limited  
Toronto

## AUDITORS

PricewaterhouseCoopers LLP  
Toronto

## BANKERS

Bank of Montreal  
Toronto

## SOLICITORS

Blake, Cassels & Graydon LLP  
Toronto

## REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.  
100 University Avenue, 9th Floor  
Toronto, Ontario, Canada M5J 2Y1  
Telephone:  
Canada & U.S.: 1-800-564-6253  
Overseas: 1-514-982-7555

### Fax:

Canada & U.S.: 1-888-453-0330  
Overseas: 1-416-263-9394  
e-mail: [mmamail@computershare.com](mailto: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

## 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.

