



CWF

Canadian World Fund
Limited

CANADIAN WORLD FUND LIMITED
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Managed by:



MorganMeighen

& ASSOCIATES

Investment Managers

GLOBAL OPPORTUNITIES

3

THIRD QUARTER REPORT - *September 30, 2004*

Report to Shareholders

Canadian World Fund Limited (CWF) raised its net asset value per share (NAV) 14.2% over the 12 months ended September 30, 2004. This compares to an 8.1% return for the benchmark, the Morgan Stanley All-Country World Free Index, expressed in Canadian dollar terms.

CWF's closing price per share as at September 30, 2004 was \$3.89, reflecting increases for the quarter and year-to-date of 11.1% and 8.1%, respectively, outperforming the NAV and benchmark returns by a sizeable margin.

Much of our success is due mainly to two factors – individual stock picks in our traditional approach to global investment, and the recovery of the Indian stock market where we have been well focused for some time. Indeed, we succeeded with only light weightings in this year's winning regions: Latin America, eastern Europe (west of Russia) and parts of South-East Asia.

Examining the canvas in more detail, we see unaccustomed adversity for CWF by way of a strong Canadian dollar and the weakening U.S. currency. In these conditions, as time passes, it becomes more difficult to capture appreciation through shares that are priced in U.S. dollars and purchased in earlier years when the U.S. dollar was stronger. Sterling and Indian rupees in which CWF is well invested were also weakened in the latest quarter.



Jonathan A. Morgan, President; Vanessa L. Morgan, Chairman; Michael A. Smedley, Chief Portfolio Officer of the Manager

Portfolio Highlights

Good leadership in our top ten stocks has been well maintained in names like The Stanley Gibbons Group Limited and Corin Group PLC, much the same as in earlier quarters. A rising newcomer is IP2IPO Group plc, which is active with United Kingdom universities in the commercial propagation of intellectual property. Others include three stocks in which we have made additional purchases recently – fountains plc, a U.K. specialist in environmental landscaping work, and two U.S. holdings of great long-term progress, Harley-Davidson, Inc., and Winnebago Industries, Inc. The latter two have been sensitive to recently soaring oil prices. However, we

Top Ten Investments at Market* – September 30, 2004

(Portfolio details on pages 8-9)

	%		%
The Stanley Gibbons Group Limited – United Kingdom	5.1	Imperial Metals Corporation – Canada	2.9
Corin Group PLC – United Kingdom	4.1	IP2IPO Group plc – United Kingdom	2.8
Mercator Poslovni Sistem – Slovenia	3.6	Harley-Davidson, Inc. – United States	2.3
Niko Resources Ltd. – Canada	3.5	M&C Saatchi plc – United Kingdom	2.3
Oslo Bors Holding ASA – Norway	2.9	Cairn Energy PLC – United Kingdom	2.1
		Total	31.6

* Excludes cash.

Weighting of Portfolio Investments at Market – September 30, 2004

	%
Asia	25.9
United Kingdom	25.7
North America	25.5
Europe (excluding U.K.)	20.6
Other	2.3

think this will prove to be an over-reaction, particularly as they continue to benefit from positive demographic trends.

The portfolio remains well diversified. Major new holdings include:

- ICAP plc where stock price recovery in the world's largest inter-bank broking business is following increased trading volatility at quarter end. Trading has been remarkably flat through the year but Fall should bring on busier trading.
- M&C Saatchi plc in a sense replaces the independent advertising agency Grey Global Group Inc. which we purchased last year anticipating that it would be acquired, as has now happened. We believe the now rarely quoted independent publicity services like Saatchi and the former Grey Global suit many clients who do not want to deal entirely with the few giant conglomerates into which the industry has been transformed. Saatchi is expanding globally by acquiring talented personnel and not absorbing other companies. It was listed on the London AIM market this year.

One area in which we have recently upgraded is the Russia region because the only known likely suppliers of new energy in abundance are Russia, followed by Kazakhstan, and possibly a reconstructed Iraq. Despite the Yukos saga, we continue holding OAO LUKOIL which is arguably the least expensive major oil producer in the world. We have complimented this with AO RITEK, a very high growth and high quality Russian medium-sized producer operating

west of the Urals. LUKOIL has a major stake and perhaps a buy-out intention. Further, and producing no less than 20% of all the world's gas under extraction, is another new Russian holding, RAO Gazprom.

Our new resources holdings included mining. On the final day of the latest quarter, CWF purchased a position in Imperial Metals Corporation, which formed part of CWF's top ten holdings as at September 30, 2004. Imperial Metals could be the benefactor of an extraordinarily rich copper development in British Columbia still awaiting market recognition though likely to be in new production within a few months. Copper is in short supply in the world and major new mines are unlikely until the next decade.

Executive Appointment

Jonathan A. Morgan, previously Vice-President, was appointed President and CEO of Canadian World Fund, effective October 14, 2004, thus assuming responsibility for the operations of the Company. Michael A. Smedley (former President of CWF), retains the role of Executive Vice-President, CEO and Chief Portfolio Officer of the Manager, Morgan Meighen & Associates Limited. He continues to have overall responsibility for the management of CWF's investment portfolio. Both Mr. Morgan, who is a senior vice-president of the Manager, and Mr. Smedley continue as members of the Board of Directors of CWF and will carry on their close working relationship, assuring continuity with respect to management of the Company.

Outlook

Many of Canadian World Fund's holdings are in highly specialized companies, niche players and have great track records or potential. One of the events we expect we shall have to manage through the final quarter of 2004 will be a rising Canadian dollar as it continues to strengthen.

Canadian World Fund provides investors with one of few North American listed opportunities to participate in a global fund.



Vanessa L. Morgan,
Chairman



Jonathan A. Morgan,
President

Economic Sector Weighting of Portfolio Investments at Market* – September 30, 2004

	%
Consumer Discretionary	25.1
Financials	20.2
Information Technology	12.9
Energy	9.4
Industrials	8.0
Health Care	7.2
Materials	6.6
Consumer Staples	5.9
Telecommunication Services	3.7
Utilities	1.0

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

Management's Discussion and Analysis

Canadian World Fund Limited's (CWF) net assets at September 30, 2004 were \$19,308,000, representing decreases of 6.0% for the quarter and 1.7% on a year-to-date basis. CWF's benchmark, the Morgan Stanley All-Country World Free Index, decreased 6.6% and 0.9%, respectively, over the same periods. However, for the twelve-month period to September 30, CWF's net assets were up 14.2%, outperforming the 8.1% return of the benchmark. All returns are expressed in Canadian dollar terms.

Currency moves negatively affected CWF as the Canadian dollar appreciated vis-à-vis the U.S. dollar and British pound by 5.7% and 5.8% for the quarter and by 2.2% and 0.8% for the nine months ended September 30, 2004, respectively.

The individual performance of many major foreign markets was negatively impacted during the quarter by the increasing cost of crude oil, continued unrest in the Middle East, and uncertainties related to the upcoming Presidential election in the United States.

Operations

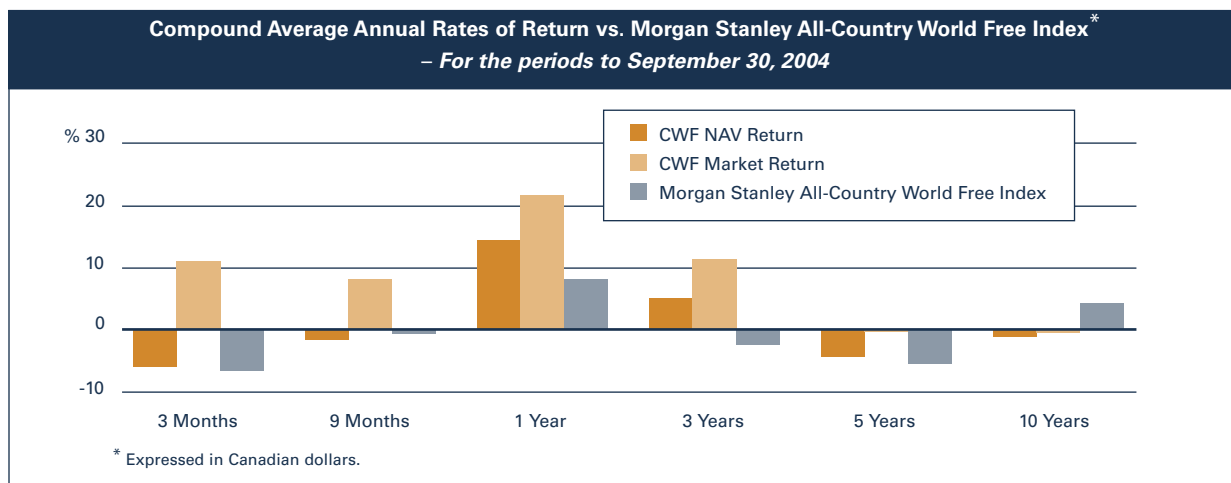
CWF's net realized loss on investments for the third quarter in 2004 was \$336,000 while \$611,000 was recorded for the comparative period of 2003. Of note in the most recent

quarter, CWF realized approximately \$597,000 of losses on dispositions in eDiets.com, Wimm-Bill-Dann Foods OJSC, and AU Optronics Corp. The largest offsets to these losses were gains realized on Southwestern Resources Corporation, Corin Group PLC, and Grey Global Group, Inc., totalling approximately \$284,000. With many gains taken earlier in the year, CWF had a year-to-date net realized gain on investments of \$1,964,000 compared to a net realized loss of \$661,000 for the same period last year.

The unrealized value of investments declined \$869,000 during the third quarter. This compares to an improvement of \$3,069,000 for the same quarter in the prior year. At September 30, 2004, CWF had an unrealized gain on investments of \$1,513,000, compared to \$2,382,000 at the end of the second quarter and \$3,631,000 at year-end 2003.

CWF's net investment loss for the third quarter of 2004 was \$33,000 and for the first nine months a net investment loss of \$176,000 was recorded. Net investment losses of \$90,000 and \$31,000 were reported for the same periods in the prior year.

Total investment income for the third quarter increased by 200.0%, to \$138,000 from the corresponding period in 2003, largely the result of a special dividend received from



The Stanley Gibbons Group Limited of approximately \$110,000. On a year-to-date basis, total investment income decreased by 4.2% to \$338,000 from the comparative period in 2003.

Total expenses for the nine-month period to September 30 this year increased by 31.5% to \$514,000, compared to \$391,000 for the same period of 2003, impacted mainly by management fees, directors' fees and interest expense. Management fees were up 42.8% compared to the first nine months of 2003 as a result of ascending portfolio values. The fees are calculated quarterly in arrears at 1.5% per annum of net asset value without deduction for tax liabilities.

During the third quarter of 2004, CWF's bank borrowings, employed for leverage purposes remained at \$4.1 million as CWF continued to take advantage of low interest rates. The year-to-date weighted average borrowing rate at September 30, 2004 was 3.1% compared to 3.7% for the same period in 2003. Interest expense was \$96,000 for the nine-month period ended September 30 compared to \$86,000 in the prior year as the average outstanding borrowing amount for the first nine months of 2004 was \$4,100,000, compared to \$2,967,000 over the same period in 2003. The Company borrows funds under a demand credit facility of \$5.0 million, subject to certain covenants.

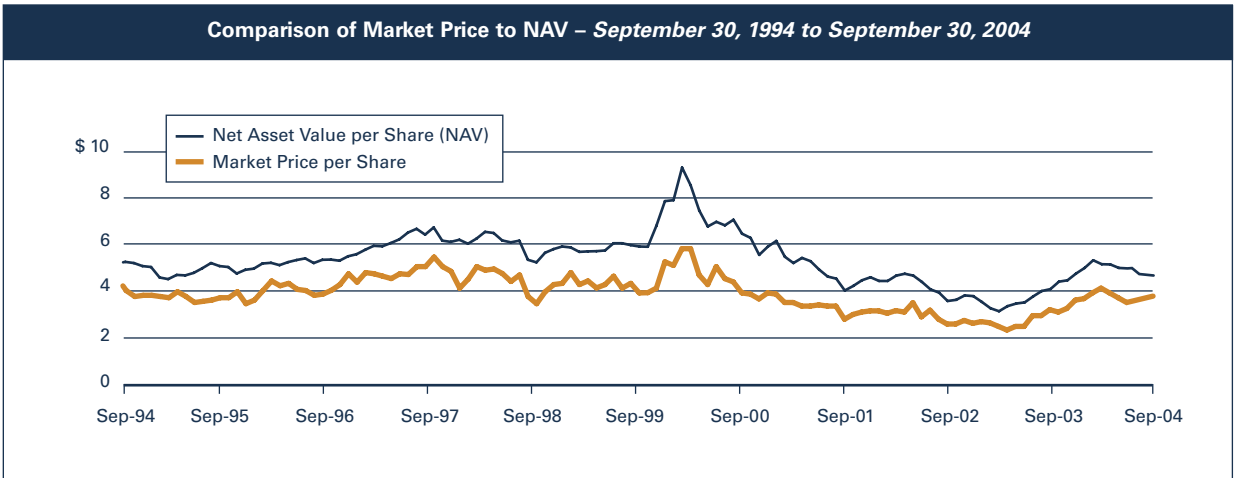
Taxation

As a result of CWF's taxable loss position, for accounting purposes the Corporation does not meet the defined criteria required for recognition of a tax recovery on the investment loss incurred in the first nine months of 2004. In addition, no income tax provision has been recorded for the net realized gain on investments earned in the first nine months of this year and no future income tax provision has been recorded for the unrealized gain at quarter-end, as CWF has loss carryforwards available from prior years.

Outlook

The Manager employs a bottom-up security selection strategy to invest globally in primarily growth companies, in particular seeking companies with special prospects for appreciation and income generation. Going into the final quarter of 2004, the best opportunities for CWF are likely to be dispersed and include a higher Canadian dollar content initially of attraction to the Manager.

Comparison of Market Price to NAV – September 30, 1994 to September 30, 2004



Statements of Net Assets

	As at Sept. 30, 2004 <i>(Unaudited)</i>	As at Dec. 31, 2003 <i>(Audited)</i>	As at Sept. 30, 2003 <i>(Unaudited)</i>
<i>(In thousands of dollars, except per share amounts)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	\$	\$	\$
Assets			
Investments	22,421	22,824	19,453
Cash	1,232	421	1,541
Receivable on securities sold	496	–	161
Accrued interest and dividends	12	8	65
Income taxes recoverable	2	5	4
	24,163	23,258	21,224
Liabilities			
Bank indebtedness	4,098	3,576	3,546
Payable on securities purchased	722	–	728
Accounts payable and accrued liabilities	35	43	38
	4,855	3,619	4,312
Net Assets	19,308	19,639	16,912
Shareholders' Equity			
Capital stock	20,507	20,507	20,507
Unrealized gain on investments	1,513	3,631	386
Deficit	(2,712)	(4,499)	(3,981)
	19,308	19,639	16,912
Number of shares outstanding	4,101,350	4,101,350	4,101,350
Net asset value per share	4.71	4.79	4.12

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, 2003. 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, except per share amounts)	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
	\$	\$	\$	\$
Investment income				
Dividends	137	40	336	328
Interest	1	6	2	25
	138	46	338	353
Expenses				
Management fees	83	58	247	173
Interest	32	33	96	86
Investor relations	8	7	35	30
Directors' fees	17	9	38	23
Other	31	29	98	79
	171	136	514	391
Investment loss before income taxes	(33)	(90)	(176)	(38)
Income tax recovery	–	–	–	7
Net investment loss	(33)	(90)	(176)	(31)
Realized and unrealized gain (loss) on investments				
Net realized gain (loss) on investments	(336)	(611)	1,964	(661)
Change in unrealized appreciation (depreciation) of investments	(869)	3,069	(2,118)	1,932
Net gain (loss) on investments	(1,205)	2,458	(154)	1,271
Increase (decrease) in net assets resulting from operations	(1,238)	2,368	(330)	1,240
Increase (decrease) in net assets resulting from operations per share	(0.30)	0.58	(0.08)	0.30

Statements of Deficit

(Unaudited) (In thousands of dollars)	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
	\$	\$	\$	\$
Deficit – Beginning of period	(2,343)	(3,280)	(4,499)	(3,288)
Net investment loss for the period	(33)	(90)	(176)	(31)
Net realized gain (loss) on investments	(336)	(611)	1,964	(661)
Provision for refundable dividend tax on hand	–	–	(1)	(1)
Deficit – End of period	(2,712)	(3,981)	(2,712)	(3,981)

Statements of Changes in Net Assets

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
	\$	\$	\$	\$
Increase (decrease) in net assets resulting from operations	(1,238)	2,368	(330)	1,240
Increase in refundable dividend tax on hand	–	–	(1)	(1)
Net assets – Beginning of period	20,546	14,544	19,639	15,673
Net assets – End of period	19,308	16,912	19,308	16,912

Statements of Net Gain (Loss) on Investments

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	Sept. 30, 2004	Sept. 30, 2003	Sept. 30, 2004	Sept. 30, 2003
	\$	\$	\$	\$
Proceeds from disposition of investments	4,189	5,390	13,359	10,556
Investments at cost, beginning of period	22,204	19,550	19,193	19,742
Investments purchased during the period	3,229	5,518	13,110	10,542
Investments at cost, end of period	(20,908)	(19,067)	(20,908)	(19,067)
Cost of investments disposed of during the period	4,525	6,001	11,395	11,217
Net realized gain (loss) on investments	(336)	(611)	1,964	(661)
Change in unrealized appreciation (depreciation) of investments	(869)	3,069	(2,118)	1,932
Net gain (loss) on investments	(1,205)	2,458	(154)	1,271

Statement of Investments

September 30, 2004 (*Unaudited*)

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Cost</i>	<i>Market Value</i>
ASIA – 25.9%			
676,000	Anhui Expressway Company Limited H (China/Hong Kong)	\$ 276	\$ 370
17,500	Bharat Electronics Limited (India)	212	261
72,400	Bharti Tele-Ventures Limited (India)	334	291
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	368
246,000	COFCO International Limited (China/Hong Kong)	114	128
6,000	Divi's Laboratories Limited (India)	262	226
1,904,000	Euro-Asia Agricultural (Holdings) Company Limited (China/Hong Kong)	629	0
392,000	G.K. Goh Holdings Limited (Singapore)	278	240
8,500	Konica Minolta Holdings, Inc. (Japan)	161	147
28,300	Maruti Udyog Limited (India)	327	276
7,100	Matsui Securities Co., Ltd. (Japan)	273	225
34,000	Oki Electric Industry Company, Limited (Japan)	167	133
35,000	Patni Computer Systems Limited (India)	269	321
1,325,000	PT Bank Mandiri (Persero) (Indonesia)	196	265
10,000	PT Telekomunikasi Indonesia, Tbk. ADR (Indonesia)	140	224
30	Rakuten, Inc. (Japan)	279	247
7,200	Ranbaxy Laboratories Limited GDR Reg S (India)	148	218
14,000	Rediff.com India Limited ADR (India)	175	134
12,000	Reliance Industries Limited GDR 144A (India)	233	354
141,782	Shaw Wallace & Company Ltd. (India)	318	389

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Cost</i>	<i>Market Value</i>
63,500	The Shipping Corporation of India Ltd. (India)	\$ 267	\$ 251
30,500	The Siam Cement Public Company Limited Foreign Reg. (Thailand)	208	248
6,000	Sohu.com Inc. (China/Hong Kong)	263	126
350,000	Xiniao Gas Holdings Limited (China/Hong Kong)	95	225
24	Yahoo Japan Corporation (Japan)+	73	135
TOTAL ASIA		6,215	5,802

AUSTRALIA – 0.7%

380,000	Tethyan Copper Company Limited	173	153
TOTAL AUSTRALIA		173	153

EUROPE – 46.3%

Europe Excluding United Kingdom

45,000	AO RITEK(Russia)*	244	236
15,000	Central European Distribution Corporation (Poland)	426	424
8,000	Flamel Technologies S.A. ADR (France)	270	148
15,000	Iliad SA (France)	490	447
5,400	Luka Koper d.d. (Slovenia)	263	293
2,950	Mercator Poslovni Sistem (Slovenia)	280	808
2,300	OAO LUKOIL ADR (Russia)	334	363
6,000	Oriflame Cosmetics S.A. SDR (Sweden)	271	171
15,800	Oslo Bors Holding ASA (Norway)	420	653
5,200	RAO Gazprom Reg S ADR (Russia)*	261	235
600	Sberbank (Russia)	332	316
5,555,000	Uralsvyazinform (Russia)	264	261
2,000	Vimpel-Communications ADR (Russia)	196	275
Total Europe (Excluding United Kingdom) – 20.6%		4,051	4,630

Statement of Investments *(continued)*

September 30, 2004 *(Unaudited)*

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Cost</i>	<i>Market Value</i>
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(in thousands of dollars)

EUROPE – *continued*

United Kingdom

14,500	Cairn Energy PLC	\$ 435	\$	481
145,000	Corin Group PLC	462		929
145,000	fountains plc*	513		448
15,000	Games Workshop Group PLC	234		254
70,000	ICAP plc*	376		352
40,000	IP2IPO Group plc	399		622
158,500	M&C Saatchi plc*	516		510
30,000	Numis Corporation Plc*	341		372
600,000	The Stanley Gibbons Group Limited	619	1,140	
600,000	UBC Media Group plc	467		340
55,000	Yule Catto & Co plc	323		324

Total United Kingdom – 25.7% 4,685 5,772

TOTAL EUROPE 8,736 10,402

LATIN AMERICA – 1.6%

456,000	SARE Holding, S.A. de C.V. B (Mexico)*	326		351
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TOTAL LATIN AMERICA 326 351

NORTH AMERICA – 25.5%

Canada

200,000	AXMIN Inc.	234		140
81,500	Imperial Metals Corporation*	597		640
20,000	Niko Resources Ltd.	559		795
30,000	WGI Heavy Minerals, Incorporated	310		194

Total Canada – 7.9% 1,700 1,769

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Cost</i>	<i>Market Value</i>
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(in thousands of dollars)

United States

3,750	eBay Inc.	\$ 223	\$	436
1,500	Google Inc.*	202		246
7,000	Harley-Davidson, Inc.†	471		526
10,000	Investment Technology Group, Inc.	211		193
10,000	Maguire Properties, Inc.	337		307
7,500	NBTY, Inc.	328		204
25,000	RAE Systems Inc.	151		176
15,000	Red Hat, Inc.†	406		232
15,000	Sotheby's Holdings, Inc. A	318		298
10,000	Stratasy, Inc.	287		399
5,000	Symantec Corporation	223		347
7,000	UTStarcom, Inc.	295		142
10,000	Winnebago Industries, Inc.†	306		438

Total United States – 17.6% 3,758 3,944

TOTAL NORTH AMERICA 5,458 5,713

TOTAL INVESTMENTS

– September 30, 2004	\$20,908	\$22,421
– December 31, 2003	\$19,193	\$22,824
– September 30, 2003	\$19,067	\$19,453

*Changes from June 30, 2004: *New Holdings; †Increased Holdings*

Corporate Information

CANADIAN WORLD FUND LIMITED

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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

STOCK DATA

September 30, 2004

Price	\$	3.89
Net Asset Value	\$	4.71
Discount		17.4%

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.

