

Financial Statements of

**FLAHERTY & CRUMRINE INVESTMENT GRADE
FIXED INCOME FUND**

For the nine months ended September 30, 2005
(unaudited)

Investment Highlights

	Sept. 30, 2005	June 30, 2005	March 31, 2005	Dec. 31, 2004
Net asset value per unit	\$ 23.13	\$ 24.09	\$ 23.53	\$ 23.23
Quarterly distributions per unit	\$ 0.4062	\$ 0.4062	\$ 0.4062	\$ -
Market price per unit	\$ 22.40	\$ 23.35	\$ 24.60	\$ 24.95
Total assets (millions)	\$ 529	\$ 548	\$ 545	\$ 529

Statements of Net Assets (Unaudited)

	Sept. 30, 2005	Dec. 31, 2004
Assets		
Investments, at market value (cost 2005 - \$518,783,112; 2004 - \$528,622,454)	\$ 487,291,869	\$ 511,614,710
Cash and short-term investments	1,904,096	25,957
Dividends and interest receivable	7,310,231	9,524,609
Amounts receivable for investments sold	5,572,872	-
Unrealized gain on forward contracts (note 7)	27,405,723	8,192,087
Deferred financing costs (note 8)	7,684	33,365
Total assets	529,492,475	529,390,728
Liabilities		
Accounts payable and accrued liabilities	1,042,217	1,222,277
Distributions payable to unitholders (note 4)	2,012,656	-
Amounts payable for investments purchased	5,907,691	-
Loans payable (note 8)	176,725,238	182,442,309
Total liabilities	185,687,802	183,664,586
Unitholders' equity		
Unitholders' capital	351,160,729	351,573,451
Contributed surplus	57,435	-
Deficit	(7,413,491)	(5,847,309)
Net assets representing unitholders' equity	\$ 343,804,673	\$ 345,726,142
Units outstanding (note 3)	14,864,511	14,882,310
Net asset value per unit	\$ 23.13	\$ 23.23

Statements of Operations and Retained Earnings (Deficit) (Unaudited)

	Three months ended Sept. 30, 2005	Nine months ended Sept. 30, 2005
Income		
Interest income	\$ 6,412,344	\$ 21,186,561
Dividend income	1,458,445	2,630,861
	7,870,789	23,817,422
Expenses		
Advisor fee (note 5)	627,379	1,878,423
Management fee (note 5)	332,302	994,162
Service fee (note 5)	258,283	791,507
General and administrative	102,866	353,005
Interest and bank charges (note 8)	1,800,979	4,809,621
	3,121,809	8,826,718
Net investment income	4,748,980	14,990,704
Net realized gain (loss) on investments, options, and foreign currency transactions (notes 6 & 8)	429,069	(8,084,250)
Net realized gain on forward contracts (note 7)	5,368,620	5,808,939
Net change in unrealized loss on investments, options, and foreign currency transactions (notes 7 & 8)	(39,067,604)	(15,359,977)
Net change in unrealized gain on forward contracts (note 7)	20,207,752	19,213,636
Results of operations	\$ (8,313,183)	\$ 16,569,052
Retained earnings (deficit), beginning of period	6,938,827	(5,847,309)
Distributions to unitholders	(6,039,135)	(18,135,234)
Deficit, end of period	\$ (7,413,491)	\$ (7,413,491)
Results of operations per unit ⁽¹⁾	\$ (0.56)	\$ 1.11

⁽¹⁾ Based on the weighted average number of units outstanding for the period (note 3).

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows (Unaudited)

	Three months ended Sept. 30, 2005	Nine months ended Sept. 30, 2005
Cash flows from operating activities:		
Results of operations	\$ (8,313,183)	\$ 16,569,052
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments, options, and foreign currency transactions	(456,265)	7,614,367
Net change in unrealized loss on investments, options, and foreign currency transactions	39,083,080	15,332,407
Net change in unrealized gain on foreign currency forward contracts	(20,207,752)	(19,213,636)
Amortization of deferred financing costs	9,549	28,466
(Increase) decrease in dividends and interest receivable	(395,902)	2,214,378
Increase (decrease) in accounts payable and accrued liabilities	56,867	(180,060)
Purchase of investments (note 6)	(104,853,829)	(568,041,071)
Proceeds from sale of investments (note 6)	94,852,990	564,034,886
Cash provided by operating activities	(224,445)	18,358,789
Cash flows from financing activities:		
Proceeds from issuance of units (note 3)	401,611	1,078,560
Deferred financing costs paid	-	(2,785)
Distributions paid to unitholders	(6,041,881)	(16,122,578)
Proceeds from distribution reinvestment plan (note 4)	-	30,089
Repurchase of units (note 3)	(846,190)	(1,463,936)
Cash used in financing activities	(6,486,460)	(16,480,650)
Net increase (decrease) in cash and short-term investments	(6,710,905)	1,878,139
Cash and short-term investments, beginning of period	8,615,001	25,957
Cash and short-term investments, end of period	\$ 1,904,096	\$ 1,904,096
Supplemental information:		
Interest paid	\$ 1,763,452	\$ 4,712,764

Statements of Changes in Net Assets (Unaudited)

	Three months ended Sept. 30, 2005	Nine months ended Sept. 30, 2005
Net assets, beginning of period	\$ 358,601,570	\$ 345,726,142
Operations:		
Results of operations	(8,313,183)	16,569,052
Unitholder transactions:		
Proceeds from issuance of units (note 3)	401,611	1,078,560
Distributions to unitholders (note 4)	(6,039,135)	(18,135,234)
Proceeds from distribution reinvestment plan (note 4)	-	30,089
Repurchase of units (note 3)	(846,190)	(1,463,936)
	(6,483,714)	(18,490,521)
Net decrease in net assets	(14,796,897)	(1,921,469)
Net assets, end of period	\$ 343,804,673	\$ 343,804,673
Distributions per unit	\$ 0.4062	\$ 1.2186

The accompanying notes are an integral part of these financial statements.

Statement of Investments (Unaudited)

As at September 30, 2005

Shares/Par Value \$US	Preferred Securities	Cost (USD)	Cost (CDN)	Market Value (USD)	Market Value (CDN)	% of Portfolio
	Banking					
70,400	BAC Capital Trust I, 7% Pfd.	\$ 1,810,556	\$ 2,225,360	\$ 1,804,352	\$ 2,094,139	
50,400	BAC Capital Trust VIII, 6% Pfd.	1,257,984	1,534,801	1,234,800	1,433,114	
17,300	Bank One Capital Trust VI, 7.2% Pfd.	450,470	549,415	447,724	519,630	
\$ 4,000,000	Barclays Bank PLC, 6.278% December 15, 2034	4,000,000	4,982,189	3,953,669	4,588,645	
\$ 1,264,000	Barnett Capital Trust I, 8.06% December 1, 2026 Capital Security	1,367,016	1,657,773	1,362,956	1,581,853	
\$ 12,000,000	BB&T Capital Trust I, 5.85% August 18, 2035	11,966,280	14,366,144	11,881,981	13,790,279	
\$ 2,000,000	Chase Capital I, 7.67% December 1, 2026	2,145,000	2,605,305	2,140,740	2,484,552	
163,000	Citigroup Capital VIII, 6.95% Pfd.	4,179,665	5,145,292	4,140,200	4,805,134	
\$ 4,000,000	First Chicago NBD Capital Trust I, 7.75% December 1, 2026	4,290,000	5,210,611	4,284,232	4,972,299	
\$ 5,000,000	First Empire Capital Trust II, 8.277% June 1, 2027 Capital Security	5,471,800	6,765,080	5,466,081	6,343,958	
\$ 850,000	First Midwest Capital Trust I, 6.95% December 1, 2033 Capital Security	932,161	1,152,994	934,911	1,085,062	
\$ 2,200,000	First of America Capital Trust I, 8.12% January 31, 2027	2,383,700	2,895,229	2,376,912	2,758,655	
33,175	First Republic Preferred Capital Corp., 7.25% Pfd., Series D	846,974	1,058,513	836,010	970,277	
\$ 6,840,000	Fleet Capital Trust II, 7.92% December 11, 2026	7,452,043	9,195,853	7,358,366	8,540,152	
\$ 1,500,000	Great Western Finance Trust II, 8.206% February 1, 2027 Capital Security, Series A	1,618,200	1,968,541	1,619,125	1,879,164	
\$ 5,000,000	GreenPoint Capital Trust I, 9.1% June 1, 2027 Capital Security	5,712,500	7,032,673	5,552,496	6,444,252	
\$ 2,000,000	Haven Capital Trust I, 10.46% February 1, 2027 Capital Security	2,300,000	2,845,232	2,234,155	2,592,970	
\$ 5,600,000	HBOS Capital Funding, 6.85% March 23, 2049	5,803,000	7,101,685	5,767,473	6,693,754	
\$ 5,000,000	HBOS PLC, 6.413% October 1, 2035	5,000,000	5,836,281	4,965,710	5,763,225	
20,000	Household Capital Trust VII, 7.5% Pfd.	536,400	661,544	516,000	598,872	
\$ 1,000,000	J.P. Morgan Capital Trust I, 7.54% January 15, 2027 Capital Security	1,074,870	1,316,291	1,071,283	1,243,336	
\$ 1,349,000	J.P. Morgan Capital Trust II, 7.95% February 1, 2027 Capital Security	1,459,711	1,784,105	1,455,895	1,689,719	
50,000	J.P. Morgan Capital Trust X, 7% Pfd.	1,295,000	1,605,544	1,285,500	1,491,957	
132,000	J.P. Morgan Capital Trust XVI, 6.35% Pfd.	3,300,000	4,169,720	3,318,480	3,851,443	
\$ 5,000,000	KeyCorp Capital VII, 5.7% June 15, 2035	4,995,000	6,240,785	4,756,259	5,520,135	
\$ 725,000	Mellon Capital II, 7.995% January 15, 2027 Capital Security	795,688	977,695	783,420	909,241	
10,900	Regions Financial Trust I, 8% Pfd.	280,457	336,772	276,424	320,819	
225,000	Royal Bank of Scotland PLC, 6.35% Pfd.	5,625,000	7,029,317	5,717,250	6,635,466	
\$ 5,630,000	Wachovia Capital Trust V, 7.965% June 1, 2027 Capital Security	6,119,810	7,409,240	6,140,617	7,126,828	
\$ 6,000,000	Webster Capital Trust I, 9.36% January 29, 2027 Capital Security	6,696,000	8,351,210	6,549,902	7,601,846	
		101,165,285	124,011,194	100,232,923	116,330,776	23.9%
	Financial Services					
52,100	Cabco - Goldman, 6% Series GS	1,276,450	1,565,697	1,258,736	1,460,895	
300,000	Lehman Capital Trust VI, 6.24% Pfd.	7,493,000	9,227,462	7,485,000	8,687,124	
17,500	Merrill Lynch Capital Trust V, 7.28% Series F	466,375	559,276	460,250	534,168	
		9,235,825	11,352,435	9,203,986	10,682,187	2.2%
	Insurance					
\$ 8,000,000	ACE Capital Trust II, 9.7% April 1, 2030	10,628,860	13,078,244	10,665,313	12,378,210	
160,000	ACE Ltd., 7.8% Pfd., Series C	4,203,200	5,048,464	4,216,000	4,893,108	
385,000	Aegon NV, 6.375% Pfd.	9,650,650	12,058,397	9,813,650	11,389,766	
\$ 2,000,000	AON Capital Trust A, 8.205% January 1, 2027 Capital Security	2,124,560	2,605,991	2,289,598	2,657,318	
63,500	Everest Capital Trust II, 6.2% Pfd., Series B	1,492,362	1,837,945	1,478,915	1,716,435	
\$ 875,000	MMI Capital Trust I, 7.625% December 15, 2027 Capital Security, Series B	964,915	1,196,586	961,906	1,116,392	
142,200	PartnerRe Ltd., 6.5% Pfd., Series D	3,505,450	4,249,615	3,533,670	4,101,193	
125,000	PartnerRe Ltd., 6.75% Pfd., Series C	3,202,500	3,994,138	3,133,750	3,637,044	
195,000	Prudential PLC, 6.5% Pfd.	4,875,000	5,875,156	4,904,250	5,691,894	
40,000	Renaissance Holding, 6.08% Pfd., Series C	960,000	1,186,269	898,000	1,042,223	
\$ 2,500,000	USF&G Capital III, 8.312% July 1, 2046 Capital Security	3,006,750	3,613,231	3,009,606	3,492,962	
110,000	W.R. Berkley Capital Trust II, 6.75% Pfd.	2,750,000	3,350,594	2,711,500	3,146,979	
32,800	XL Capital Ltd., 7.625% Pfd., Series B	885,528	1,086,965	842,960	978,343	
		48,249,775	59,181,595	48,459,118	56,241,867	11.5%
	Oil & Gas					
\$ 12,275,000	KN Capital Trust III, 7.63% April 15, 2028 Capital Security	13,983,158	17,159,507	13,754,480	15,963,510	3.3%
	Utilities					
\$ 7,500,000	Commonwealth Edison Co., 6.35% March 15, 2033	7,707,750	9,404,627	7,021,695	8,149,411	
\$ 868,000	Dominion Resources Cap Trust I, 7.83%, December 1, 2027	946,415	1,151,735	943,738	1,095,306	
80,000	DTE Energy Trust II, 7.5% Pfd.	2,096,000	2,595,151	2,096,000	2,432,627	
42,000	Georgia Power Capital Trust V, 7.125% Pfd.	1,079,400	1,275,359	1,081,920	1,255,681	
18,200	Enterprise Capital Trust I, 7.44% Pfd., Series A	462,098	545,092	454,090	527,019	
\$ 10,140,000	PECO Energy Capital Trust IV, 5.75% June 15, 2033 Capital Security	9,910,532	12,116,601	9,450,425	10,968,205	
13,580	Virginia Power Capital Trust, 7.375% July 30, 2042	362,586	445,525	354,710	411,678	
		22,564,781	27,534,090	21,402,578	24,839,927	5.1%
	Total Preferred Securities	\$ 195,198,824	\$ 239,238,821	\$ 193,053,085	\$ 224,058,267	46.0%

The accompanying notes are an integral part of these financial statements.

Statement of Investments (Unaudited) Cont'd
As at September 30, 2005

Par Value \$US		Cost (USD)	Cost (CDN)	Market Value (USD)	Market Value (CDN)	% of Portfolio
Corporate Debt Securities						
Agency						
\$ 10,440,000	Fannie Mae, 5.7% February 18, 2020	10,428,581	12,961,200	10,243,687	11,888,868	2.4%
Banking						
\$ 4,300,000	Bank One Corporation, 7.75% July 15, 2025	5,428,363	6,670,062	5,378,629	6,242,461	
\$ 13,000,000	Citigroup Inc., 5.85% December 11, 2034	13,365,733	16,493,371	13,627,184	15,815,771	
\$ 5,000,000	Wells Fargo & Co., 5.375% February 7, 2035	5,078,650	6,371,409	4,937,824	5,730,861	
		23,872,746	29,534,842	23,943,637	27,789,093	5.7%
Financial Services						
82,450	Corporate Backed Trust Certificates, 6.3% Series GS	2,081,862	2,553,618	2,095,055	2,431,530	
2,300	CoRTS Trust For General Electric Capital Corporation Notes, 6% March 15, 2032	59,110	72,741	57,500	66,735	
\$ 6,510,000	General Motors Acceptance Corporation, 8% November 1, 2031, Senior Bonds	6,276,341	7,556,914	5,712,925	6,630,446	
\$ 10,000,000	Goldman Sachs Group Inc., 6.125% February 15, 2033	10,332,800	12,632,866	10,449,313	12,127,519	
7,600	PreferredPLUS Trust Series GEC-1, 6.05% March 15, 2032	195,700	240,829	190,456	221,044	
		18,945,813	23,056,968	18,505,249	21,477,274	4.4%
Insurance						
\$ 3,000,000	Allstate Corp., 5.55% May 9, 2035 Senior Notes	2,985,240	3,729,033	2,904,641	3,371,139	
\$ 9,000,000	Assurant Inc., 6.75% February 15, 2034 Senior Notes	9,763,020	12,019,279	9,738,805	11,302,900	
\$ 4,000,000	Liberty Mutual Group Inc., 6.5% March 15, 2035	3,922,040	4,723,528	3,768,333	4,373,544	
\$ 2,600,000	OneAmerica Financial Partners, 7% October 15, 2033	2,830,672	3,472,110	2,886,085	3,349,603	
\$ 10,000,000	Pacific LifeCorp, 6.6% September 15, 2033, Senior Notes	11,163,200	13,578,883	11,257,882	13,065,948	
\$ 10,455,000	Prudential Holdings LLC, 8.695% December 18, 2023	13,432,151	16,343,107	13,391,356	15,542,068	
\$ 1,335,000	XL Capital Ltd., 6.375% November 15, 2024	1,397,892	1,689,152	1,352,608	1,569,842	
		45,494,215	55,555,092	45,299,710	52,575,044	10.8%
Oil & Gas						
\$ 4,000,000	Kinder Morgan Energy Partners L.P., 5.8% March 15, 2035, Senior Notes	3,828,800	4,859,500	3,855,182	4,474,342	0.9%
Utilities						
\$ 5,000,000	Appalachian Power Company, 5.8% October 1, 2035, Senior Notes	4,962,000	5,829,349	4,943,922	5,737,938	
\$ 14,310,000	Constellation Energy Group, 7.6% April 1, 2032, Senior Notes	17,201,499	20,951,381	17,166,137	19,923,094	
\$ 5,000,000	Duke Energy Corporation, 6.45% October 15, 2032, Senior Notes	5,437,550	6,669,713	5,404,796	6,272,831	
\$ 6,000,000	Duquesne Light Holdings, Inc., 6.25% August 15, 2035, Senior Notes	6,032,960	7,229,961	5,876,326	6,820,090	
224,364	Georgia Power Company, 5.7% Series X	5,596,119	6,773,859	5,584,420	6,481,303	
\$ 5,500,000	Progress Energy Inc., 7% October 30, 2031, Senior Notes	6,120,480	7,526,628	6,106,989	7,087,799	
\$ 9,843,000	Southern Union Company, 8.25% November 15, 2029	12,476,495	15,525,752	12,342,563	14,324,834	
\$ 10,000,000	TXU Corp., 6.5% November 15, 2024, Senior Notes	9,693,000	11,987,095	9,406,679	10,917,433	
\$ 5,000,000	UGI Utilities Inc., 6.133% October 15, 2034	5,318,000	6,544,345	5,129,174	5,952,942	
\$ 3,000,000	Westar Energy Inc., 5.875% July 15, 2036	2,998,170	3,688,648	2,945,273	3,418,297	
\$ 10,000,000	Westar Energy Inc., 5.95% January 1, 2035	9,907,900	11,851,839	9,923,640	11,517,420	
\$ 549,000	Wisconsin Electric Power Company, 6.875% December 1, 2095	643,527	798,460	639,735	742,479	
		86,387,700	105,377,030	85,469,654	99,196,460	20.4%
Miscellaneous Industries						
\$ 8,000,000	Disney Enterprises Inc., 7.55% July 15, 2093, Senior Notes	9,402,320	11,629,770	9,586,989	11,126,702	
\$ 9,000,000	EOP Operating L.P., 7.5% April 19, 2029, Senior Unsecured Notes	10,553,925	12,955,007	10,475,854	12,158,323	
\$ 4,000,000	EOP Operating L.P., 7.875% July 15, 2031, Senior Unsecured Notes	4,886,400	6,029,838	4,823,751	5,598,467	
30,900	Maytag Corp., 7.875% Pfd.	693,031	858,996	774,045	898,360	
\$ 10,700,000	Pulte Homes Inc., 6.375% May 15, 2033	10,303,837	12,437,769	10,193,312	11,830,403	
\$ 5,000,000	Realty Income Corp., 5.875% March 15, 2035, Senior Unsecured Notes	4,843,200	5,832,651	4,795,640	5,565,841	
		40,682,713	49,744,031	40,649,591	47,178,096	9.7%
Total Corporate Debt Securities		\$ 229,640,568	\$ 281,088,663	\$ 227,966,710	\$ 264,579,177	54.3%
Contracts						
Options						
1,700	December Put Option on December 2005 CBT Futures @ 112	1,645,579	1,992,424	903,125	1,048,171	
2,000	December Put Option on December 2005 CBT Futures @ 114	2,040,750	2,472,974	2,375,000	2,756,436	
2,000	December Call Option on December 2005 CBT Futures @ 116	2,822,000	3,400,507	1,437,500	1,668,369	
(2,000)	December Call Option on December 2005 CBT Futures @ 112	(7,818,630)	(9,410,277)	(5,875,000)	(6,818,551)	
		(1,310,301)	(1,544,372)	(1,159,375)	(1,345,575)	(0.3%)
Total		\$ 423,529,091	\$ 518,783,112	\$ 419,860,420	\$ 487,291,869	100.0%

The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Flaherty & Crumrine Investment Grade Fixed Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Alberta on November 25, 2004, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee and Brompton FFI Management Limited is the Manager and is responsible for managing the affairs of the Fund. Flaherty & Crumrine Incorporated manages the Fund's portfolio. The Fund commenced operations on December 15, 2004.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements at December 31, 2004. The significant accounting policies used for preparing these unaudited interim financial statements are consistent with those used in preparing the audited financial statements.

Certain comparative figures have been reclassified to conform to the current period's presentation of unitholders' capital and retained earnings.

3. UNITS OF THE FUND

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund.

Units may be redeemed during November of any year, between twenty and forty-five business days prior to the second last business day in November ("Redemption Date"). Unitholders whose units are redeemed will receive a redemption price equal to the net asset value per unit less associated costs of the redemption, including brokerage costs, on the Redemption Date.

Units may also be redeemed at least ten business days prior to the second last business day of each month, except for the month of November. Unitholders whose units are redeemed will receive a redemption price per unit equal to the lesser of (i) 96% of the weighted average trading price of the units for the ten trading days preceding the redemption date and (ii) 100% of the closing market price of the units.

For the three and nine months ended September 30, 2005, the Fund issued 16,711 and 45,333 units, respectively, in respect of its management and advisor fees.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid for the period from December 22, 2004 through to December 21, 2005. Pursuant to the issuer bid, the Fund may purchase up to 1,436,000 units for cancellation. The Fund may only repurchase units when the net asset value per unit exceeds its trading price. For the three and nine months ended September 30, 2005, 37,000 and 64,400 units were purchased for cancellation.

The weighted average number of units outstanding for the nine months ended September 30, 2005 was 14,884,918.

4. DISTRIBUTIONS TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the three and nine months ended September 30, 2005, the Fund declared total distributions of \$0.4062 and \$1.2186 per unit, respectively. Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund which may be issued from treasury or purchased on the open market. For the three and nine months ended September 30, 2005, no units and 1,268 units, respectively, were issued by the Fund.

5. MANAGEMENT, ADVISOR AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.35% per annum of the net asset value of the Fund, plus applicable taxes. The management fee may be paid in cash or units at the option of the Manager. To the extent that units are issued from treasury for this purpose, they will be issued at the net asset value per unit. For the three and nine months ended September 30, 2005, the entire management fee was paid in units. Flaherty & Crumrine Incorporated, the portfolio manager for the Fund, and Brompton Capital Advisors Inc. are entitled to receive an aggregate fee equal to 0.70% per annum of the net asset value, plus applicable taxes. Both fees are calculated and payable monthly. The Fund also pays to the Manager a service fee equal to 0.30% per annum of the net asset value of the Fund. The service fee is in turn paid by the Manager to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

6. INVESTMENT TRANSACTIONS

Investment transactions for the three and nine months ended September 30, 2005 were as follows:

	Three months ended Sept. 30, 2005	Nine months ended Sept. 30, 2005
Proceeds from sale of investments and options	\$ 100,425,862	\$ 569,607,758
Less cost of investments and options sold:		
Investments at cost, beginning of period	516,426,656	528,622,454
Investments purchased during the period	110,761,520	573,948,762
Investments at cost, end of period	(518,783,112)	(518,783,112)
Cost of investments and options sold during the period	108,405,064	583,788,104
Net realized loss on sale of investments and options	\$ (7,979,202)	\$ (14,180,346)

7. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund uses foreign currency forward contracts to hedge foreign exchange risks associated with its US dollar investment portfolio. During the three and nine months ended September 30, 2005, the Fund realized a gain in the amount of \$5,368,620 and \$5,808,939, respectively, on the close out of certain contracts. At September 30, 2005, the Fund had entered into the following foreign currency forward contracts with a Canadian chartered bank:

Canadian Dollars Purchased	US Dollars Sold	Delivery Date	Unrealized Gain
\$ 97,450,398	\$ 83,400,000	October 18, 2005	\$ 705,926
237,115,554	190,075,000	January 15, 2015	26,699,797
\$ 334,565,952	\$ 273,475,000		\$ 27,405,723

8. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day renewable revolving credit facility. The revolving credit facility provides for maximum borrowings of \$13.9 million for working capital purposes under one tranche and US\$153.8 million under the second tranche for investment purposes. Both tranches can be availed at either the prime rate of interest, the bankers' acceptance rate plus a fixed percentage, the LIBOR rate plus a fixed percentage or by US base rate borrowings. At September 30, 2005, the Fund had a US dollar loan equivalent to \$176.7 million (US\$152.3 million) outstanding under this facility. During the three and nine months ended September 30, 2005, the Fund realized a foreign exchange gain in the amount of \$8,435,467 and \$6,578,705, respectively, on the repayment of borrowings in US dollars, and at September 30, 2005, borrowings in US dollars had an unrealized foreign exchange gain of \$3,394,944. The credit facility is secured by a first-ranking and exclusive charge on all of the Fund's assets.

Costs incurred to establish the credit facility are deferred and amortized over its term. For the three and nine months ended September 30, 2005, the Fund has recorded amortization of these costs in the amount of \$9,549 and \$28,466, respectively.

The credit facility is used by the Fund for the purchase of additional investments and for general Fund purposes.

Corporate Information

Directors

Peter A. Braaten, BA, MBA

James W. Davie, B.Comm, MBA

P. Michael Nedham, BSc, MBA, CBV

Arthur R.A. Scace, QC, BA, MA, LLB, LLD

Ken S. Woolner, BSc, PEng

Officers

Peter A. Braaten

Chairman

Raymond R. Pether

President and Chief Executive Officer

Mark A. Caranci

Chief Financial Officer

David E. Roode

Senior Vice President

Moyra E. MacKay

Vice President and Corporate Secretary

Craig T. Kikuchi

Vice President, Finance

Lorne J. Zeiler

Vice President

Jessica Leung

Controller

Ann Wong

Controller

Debbie Chin

Assistant Vice President

Continuous Disclosure Manager

Contact: **David E. Roode**

Phone: 416-642-6008

Email: roode@bromptongroup.com

Trustees

Computershare Trust Company of Canada

Custodian

The Royal Trust Company of Canada

Auditors

PricewaterhouseCoopers LLP

Website

www.bromptongroup.com

Address

Suite 2930, Box 793

Bay Wellington Tower, BCE Place

181 Bay Street

Toronto, ON M5J 2T3

Phone: 416-642-6000

Fax: 416-642-6001

Toll Free: 1-866-642-6001