

NORTHWATER

**Northwater Market-Neutral Trust
December 31, 2004
Annual Report**





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MESSAGE TO UNITHOLDERS FROM THE INVESTMENT ADVISOR

The Northwater Market-Neutral Trust (the “Trust”) is a closed-end fund traded on the Toronto Stock Exchange comprising a diversified portfolio of market-neutral hedge funds. As of December 31, 2004, the net asset value of the Trust per unit was \$14.73. For the year, the net asset value per unit increased 5.00% after taking into account distributions per unit of \$1.85.

Equity and bond markets posted respectable gains over the year despite the continued uncertainty about the global macroeconomic environment, the sustainability of the economic recovery in the US, and the dramatic rise in global energy prices. The S&P 500 Index posted a gain of 10.9% in U.S. dollar terms, which translated into a gain of only 2.8% in Canadian dollar terms as the US dollar weakened considerably throughout the year.

Central bank policy was fairly aggressive in the US, where the Federal Reserve increased rates five times to 2.25%, the highest level in three years in response to a strengthening US economy, subdued inflationary pressures and a weakening US dollar. Uncharacteristically, long-term bond yields fell to some of their lowest levels on record, fuelling strong performance in all areas of the bond market.

All measures of market volatility across the capital markets decreased throughout the year to near-record low levels. In contrast, commodity markets exhibited higher levels of volatility throughout the year. This occurred while corporate credit spreads tightened.

Northwater continued to refine the Trust’s portfolio in order to capitalize on the changing financial environment and to further diversify the Trust’s holdings. Over the course of the year, 12 new funds were added to the portfolio and 9 funds were removed. The changes were made to further the objective of generating consistent results regardless of overall market conditions. The portfolio also saw the addition of a new strategy: Energy Relative Value. Allocations to the Capital Structure Arbitrage, Mortgage-Backed Security Arbitrage and Distressed Securities strategies increased during 2004. The Convertible Bond Arbitrage, Statistical Arbitrage, and Volatility Arbitrage strategies saw reduced allocations over the course of the year.

Distressed Securities and Asset-Backed Securities Arbitrage funds posted the strongest returns for the year benefiting from tightening credit spreads and improving economic conditions. While these strategies capitalized on favourable market conditions, we expect that the skills of the hedge fund managers will continue to deliver positive returns in a more challenging market environment in 2005.

In contrast, the returns of Convertible Bond Arbitrage funds reflected the difficult market in which these funds operated last year. The funds that were well hedged against credit exposure did not fully participate in the credit tightening trend of

2004 and opportunities to generate strong returns were further eroded by the falling equity market volatility.

The increase in merger and acquisition activity had a positive impact on both the dedicated Merger Arbitrage funds and Multi-Strategy funds which moved capital opportunistically to the Merger Arbitrage strategy when the risk-reward profile looked attractive.

Fixed-Income Arbitrage and Statistical Arbitrage strategies underperformed as reduced volatility decreased trading opportunities reinforcing the decision by Northwater to reduce the capital allocation to these strategies over time. While disappointed with the results in 2004, we continue to look for managers that will provide the return required to meet our investment objectives.

The Re-Insurance strategy generated a modestly positive return in 2004 which was below historical returns because of the unusually large amount of catastrophic events over the past year. The ability to generate a positive return against this backdrop demonstrates the value of thoughtful, well risk-managed portfolio construction by our reinsurance hedge fund managers.

The addition of an Energy Relative Value manager provided a positive return in 2004 and demonstrates our focus on bringing new and uncorrelated sources of return to the strategy mix.

The Trust's returns continue to exhibit market-neutrality and we remain pleased with the results to date. We will continue our efforts to evaluate new managers and strategies in an effort to further refine the Trust's portfolio. Northwater also remains committed to market-neutral investing and believes it is an essential element of any truly diversified portfolio. The Trust's well constructed portfolio of market-neutral hedge funds offers amongst the best risk-adjusted returns available in the market today.



DANIEL C. R. MILLS, CFA

Managing Director and
Chief Investment Officer



ADRIAN HUSSEY, MBA, CFA

Vice-President

February 28, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

The Trust is managed by Northwater Fund Management Inc. (the "Manager"). The Manager is responsible for managing the business and administration of the Trust pursuant to the provisions of the trust agreement as well as monitoring the Trust's investment portfolio. The Manager has retained Northwater Capital Management Inc. (the "Investment Advisor") to provide investment advice and to manage the Trust's investment portfolio in accordance with the Trust's investment objectives. In fulfilling its responsibilities, the Manager must determine that appropriate information systems, procedures and controls are in place in order to ascertain that information used internally and disclosed to Unitholders is complete and reliable. The Manager takes this responsibility seriously and is satisfied that appropriate systems, procedures and controls are in place for the Trust.

Investment Objectives

The Trust's investment objectives are:

1. Distribute quarterly 2% of the net asset value per unit of the Trust as of the month end preceding the relevant calendar quarter end (prior to April 19, 2004 - \$0.40 per unit per quarter);
2. Steadily grow the net asset value;
3. Ensure that the performance of the Trust is substantially independent of fixed income and equity markets; and
4. Achieve low volatility, which is expected to be less than that of a mid-term bond portfolio and less than one-half that of major North American stock markets.

The Trust is obligated to make quarterly distributions of 2% of the Trust's net asset value without regard to the original threshold of \$18.79 per unit. Distributions are determined using the Trust's net asset value per unit for the month-end prior to each quarter end.

The Trust is also required to distribute all of its net income and net realized capital gains so that the Trust will not be liable to pay income tax under Part I of the Income Tax Act.

The recent federal budget included a measure to eliminate the foreign property rule for pension funds and other tax deferred retirement plans. Although the Trust has always been eligible to hold in RRSPs and RRIFs, this positive change means that Unitholders of the Trust will no longer be constrained in their holdings as the 30% limit on foreign holdings is no longer applicable.

Investment Strategy

The Trust is comprised of market-neutral hedge funds that the Investment Advisor believes have strong expected risk-adjusted returns as well as performance histories that have a low correlation with major equity and debt markets. In establishing the hedge fund "mix," the Investment Advisor seeks out strategies that also have a low correlation with one another, thereby increasing the benefits of diversification and reducing expected volatility. While there can be no assurance that the Trust's performance will exhibit strong risk-adjusted returns, the Investment Advisor believes that by constructing a well-diversified portfolio of market-neutral hedge funds, the returns of the Trust should have a low correlation with major equity and fixed income markets and a low volatility.

The Trust employs leverage as it believes that leverage may enhance investment returns. The Trust is entitled to borrow up to 25% of the net asset value for investment purposes, and may borrow an additional 10% of the net asset value in order to re-purchase units under its buy-back programs, to effect cash distributions and to settle currency hedging transactions. The ability of the Trust to borrow will increase the risk to unitholders and may not enhance returns in the event that the securities purchased with the borrowed funds decline in value.

The financial leverage employed by the Trust to make investments as at December 31, 2004 was 20.97% (December 31, 2003: 23.22%).

Investment Management Process

The Trust's investment objectives and strategy are supported by the implementation of an investment management process. The Trust is dependent on the knowledge and expertise of the Investment Advisor to implement the investment management process. The Investment Advisor's ability to deliver results is dependent upon a team of investment professionals that research, analyze and monitor the investments of the Trust. The Investment Advisor conducts all of its investment research in-house and has developed all of its trading, risk management and accounting software systems internally.

The Investment Advisor has developed a proprietary selection process to enable it to advise the Trust with respect to the selection and monitoring of potential hedge fund investments to be made by the Trust. The proprietary selection process is an integral part of the Investment Advisor's strategy for generating value over time and consists of:

1. The development of a multi-faceted set of investment beliefs, which serve as a framework for identifying appropriate market-neutral strategies and the managers that employ those strategies. These investment beliefs have and continue to evolve with the Investment Advisor's experience in market-neutral hedge fund investing and in managing complex derivative strategies.
2. The use of an established operational infrastructure necessary for managing complex market-neutral and derivative strategies. The Investment Advisor has built a team of investment professionals and developed robust portfolio and risk management systems and tools essential to managing a sophisticated fund of market-neutral hedge funds.
3. A progressive global search for market-neutral strategies consistent with the Investment Advisor's investment beliefs and the Trust's investment criteria of market-neutrality and strong risk-adjusted returns. The Investment Advisor's search focuses on managers who have demonstrated expertise in consistently implementing these strategies.
4. A comprehensive quantitative and qualitative assessment of hedge fund managers who employ market-neutral strategies that adhere to the Investment Advisor's investment beliefs and the objectives of the Trust.
5. The use of specific quantitative procedures, including screens that attempt to identify consistency and adaptability, market-neutrality, and portfolio fit, which are integral to the Investment Advisor's investment process. Various portfolio construction techniques are used, including mathematical optimization, statistical process control and factor analysis.
6. An ongoing qualitative assessment of existing and prospective hedge fund managers, including hedge fund manager reviews involving on-site interviews, monthly portfolio reviews and various industry references. The goal of this process is to fully understand the hedge fund manager's investment strategy and risk management processes. The Investment Advisor also seeks to ascertain the strength of a hedge fund manager's competitive advantage, its investment team and its business plans.
7. The construction of a diversified model portfolio across 13 market-neutral strategies. This is a dynamic process.
8. Finally, a comprehensive due diligence process that must be completed before the Investment Advisor recommends an investment. This process typically includes on-site interviews conducted by investment professionals from the Investment Advisor, an all-inclusive strategy and operational due diligence report, a legal review of the offering documentation, an analysis of the hedge fund's financial statements, an assessment of the fees charged by the hedge fund's manager and an examination of any administrative or other

costs associated with making the investment. Rigorous monitoring and due diligence continues once a hedge fund is added to the Trust. This process includes regular discussions with the hedge fund manager, multiple on-site interviews each year, continual quantitative and qualitative assessments and monthly review of the hedge fund's role within the Investment Advisor's model portfolio.

The Investment Advisor manages and advises client accounts in addition to the Trust. Client accounts with similar investment objectives are generally managed in a similar manner. Investment allocation decisions are subject to client guidelines and restrictions. Limited investment opportunities will be allocated to client accounts in a manner that the Investment Advisor determines is equitable to clients in the circumstances.

Investment Portfolio and Activity

The Trust invests in hedge funds that emphasize sectors of the capital markets that the Investment Advisor believes are relatively inefficient. The Investment Advisor believes that such sectors offer arbitrage opportunities and should reward insightful investment analysis.

Because the Trust is invested in hedge funds that pursue non-traditional investment strategies, it is subject to the special risks of investing in these strategies. For this reason, the Investment Advisor seeks to diversify the Trust's portfolio across 13 broad investment strategies and across 45 hedge funds. Some of these investment strategies are contained within multi-strategy funds. The hedge funds in which the Trust is invested are located in offshore jurisdictions and prepare annual audited financial statements, in accordance with US or International generally accepted accounting principles (GAAP).

During the year, the Trust placed investments with 12 new hedge funds and redeemed from 9 hedge funds (year ended December 31, 2003, investments placed with 12 new hedge funds and redeemed from 11 other hedge funds).

As at December 31, 2004, the Trust was invested in 45 hedge funds (December 31, 2003: 42 hedge funds) with 41 managers (December 31, 2003: 35 managers) engaged in 13 unique market-neutral or hedged investment strategies. This wide array of hedge fund investments has created broad diversification through which the Trust seeks to achieve its risk/return objectives and market neutrality.

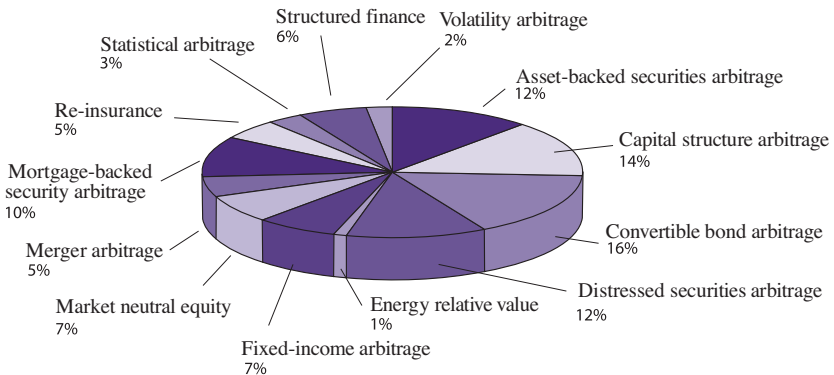
Since its last report to unitholders, the Trust has re-characterized certain of its strategies to better reflect the investment strategies pursued by certain of the hedge funds in its portfolio.

Asset Allocation by Investment Strategy

Hedge Fund Investment

Strategy	As at December 31, 2004			As at December 31, 2003		
	No. of Hedge Funds	Fair Value		No. of Hedge Funds	Fair Value	
Asset-backed security arbitrage	5	\$ 9,529,640	11%	5	\$ 10,140,245	12%
Capital structure arbitrage	4	9,046,341	11%	3	6,224,097	7%
Convertible bond arbitrage	5	8,565,356	11%	6	13,148,567	15%
Distressed securities	3	8,676,560	11%	2	7,274,011	8%
Energy relative value	1	668,131	1%	0	-	0%
Fixed-income arbitrage	4	5,545,607	7%	3	6,711,900	8%
Merger arbitrage	2	2,257,182	3%	1	1,134,992	1%
Mortgage-backed security arbitrage	4	8,588,611	11%	3	6,998,041	8%
Multi-strategy	12	18,237,845	22%	11	20,533,090	23%
Re-insurance	1	4,212,276	5%	1	5,147,443	6%
Statistical arbitrage	1	2,011,913	2%	3	4,442,908	5%
Structured finance	3	4,122,177	5%	3	5,281,192	6%
Volatility arbitrage	0	-	0%	1	1,109,983	1%
	45	\$ 81,461,639	100%	42	\$ 88,146,469	100%
Settlement receivable (due) on currency futures		166,264			(118,177)	
		\$ 81,627,903			\$ 88,028,292	

The following chart illustrates the hedge fund holdings by strategy as at December 31, 2004. The multi-strategy hedge funds have been allocated to various hedge fund strategies to reflect their exposure to their constituent strategies.



The following table presents the largest individual hedge fund holding for each investment strategy as a percentage of the total net asset value of the Trust as at December 31, 2004 and December 31, 2003.

Strategy	As at December 31, 2004	As at December 31, 2003
Asset-backed security arbitrage	4.65 %	4.17 %
Capital structure arbitrage	4.08 %	3.05 %
Convertible bond arbitrage	2.91 %	4.48 %
Distressed securities	5.67 %	5.26 %
Energy relative value	0.87 %	-
Fixed-income arbitrage	3.37 %	3.15 %
Merger arbitrage	1.50 %	1.35 %
Mortgage-backed security arbitrage	3.32 %	2.99 %
Multi-strategy	3.62 %	3.16 %
Re-insurance	2.11 %	5.11 %
Statistical arbitrage	2.61 %	2.57 %
Structured finance	1.78 %	2.91 %
Volatility arbitrage	-	1.34 %

Risk Characteristics

The following tables present information for the periods from inception and for the three-month and the years ended December 31, 2004 and 2003 regarding the risk profile of both the Trust and the Trust's hedge fund holdings.

	For the period from inception to December 31, 2004	For the period from inception to December 31, 2003
Trust Statistics		
# of positive monthly returns	69	61
# of negative monthly returns	20	16
% of negative months	22.5 %	20.8 %
Average size of negative months	-1.26 %	-1.49 %
Worst monthly return	-11.78 % (Aug/98)*	-11.78 % (Aug/98)*

	Three month period ended December 31		Year ended December 31	
	2004	2003	2004	2003
Single Hedge Fund Statistics				
# of hedge funds with positive returns (1)	38	36	40	35
# of hedge funds with negative returns (1)	7	6	5	7
Average annual hedge fund standard deviation (2)	3.60 %	5.18 %	3.60 %	5.18 %
Average correlation between hedge funds (3)	0.179	0.087	0.179	0.087

(1) Measured for hedge funds in the portfolio as at December 31, 2004 and December 31, 2003 respectively

(2) As measured over the past 24 months for hedge funds in the portfolio as at December 31, 2004 and December 31, 2003 respectively, excludes hedge funds with less than 24 months of historical return

(3) measured over the past 24 months for hedge funds in the portfolio as at December 31, 2004 and December 31, 2003 respectively, excludes hedge funds with less than 24 months of historical returns

* The Russian debt crisis occurred during August 1998 and affected many investors. The return for the month of August for the S&P 500 Index was -14.46% and -20.41% for the TSX Index.

Review of Financial Results

Performance

During 2004, the performance of the Trust continued the positive trend established in prior years, posting a return of 5.00% (2003: 10.00%) for the year, taking into account the distributions made during the year. The asset-backed securities arbitrage, distressed securities and energy relative value strategies were key to the success of the Trust in 2004. The overall result for 2004 was lower than in 2003 partially due to the incurrence of costs of the April 19, 2004 special meeting of unitholders in the amount of \$1,310,811.

The Trust was not able to capitalize on the share buy-back and cancellation program as the units of the Trust during 2004 were not offered for sale at less than 92.5% of the net asset value. During 2004, this program did not contribute to the overall return (2003: 0.22%).

The following table presents the return by investment strategy for the years ended December 31, 2004 and 2003.

Strategy	Year ended December 31	
	2004	2003
Asset-backed securities arbitrage	15.45 %	14.72 %
Capital structure arbitrage	5.96 %	27.58 %
Convertible bond arbitrage	0.72 %	9.20 %
Distressed securities	11.23 %	20.96 %
Energy relative value	11.22 %	-
Fixed-income arbitrage	-1.83 %	1.75 %
Merger arbitrage	8.89 %	6.05 %
Mortgage-backed security arbitrage	3.92 %	0.77 %
Multi-strategy	8.14 %	8.19 %
Re-insurance	2.93 %	10.90 %
Statistical arbitrage	2.01 %	3.39 %
Structured finance	3.70 %	15.74 %
Volatility arbitrage	-3.86 %	-18.55 %

Net Asset Value and Price Per Unit

The value of investments held by the Trust is affected by factors beyond the control of the Investment Advisor, the Manager or the Trust. The process of valuing investments for which no published market price exists is based upon the definitive or provisional value of the hedge funds supplied by administrators or managers of such underlying hedge funds. These values are net of the management fees and expenses to which the underlying hedge funds are subject.

The Trust's net asset value per unit is calculated and reported monthly. For the year ended December 31, 2004, the net asset value of the Trust fluctuated between a low of \$14.73 per unit and a high of \$16.27 per unit (2003: low of \$15.81 and a high of \$19.54), after taking into account distributions. The substantial distribution made on December 31, 2003 reduced the range of net asset values per unit in 2004 relative to the range in 2003.

The market price for units of the Trust is determined by the actions of buyers and sellers in the market. The daily closing price of the units fluctuated between \$14.45 and \$16.44 (2003: \$16.00 and \$19.00) during the year.

Distributions

During the year, the Trust made distributions totaling approximately \$1.85 per unit (\$9,679,785 was distributed in aggregate) compared to \$5.08 per unit (\$26,606,800 in aggregate) in 2003.

The character of the quarterly distributions for tax purposes has been determined as of the end of the year in accordance with the trust agreement and the tax laws then in effect. There can be no assurance that income tax laws will not be changed in a manner that adversely affects the Trust or distributions paid by the Trust and the Manager will continue to monitor any changes in the tax laws as they occur.

Distribution History

Record date	Date distribution paid	Character of distribution for tax purposes	Amount per unit
March 31, 1998	April 22, 1998	Return of capital	\$0.32
June 30, 1998	July 21, 1998	Return of capital	\$0.37
December 31, 1999	January 31, 2000	Return of capital	\$0.57
March 31, 2000	April 14, 2000	Return of capital	\$0.97
June 30, 2000	July 14, 2000	Return of capital	\$0.88
September 29, 2000	October 13, 2000	Return of capital	\$0.73
December 29, 2000	January 12, 2001	Return of capital	\$0.31
March 30, 2001	April 17, 2001	Return of capital	\$0.92
June 29, 2001	July 17, 2001	Return of capital	\$0.84

Distribution History

Record date	Date distribution paid	Character of distribution for tax purposes	Amount per unit
September 28, 2001	October 19, 2001	Return of capital	\$0.41
March 28, 2002	April 19, 2002	Return of capital	\$0.07
June 28, 2002	July 19, 2002	Return of capital	\$0.48
September 30, 2002	October 18, 2002	Return of capital	\$0.08
December 31, 2002	January 17, 2003	Return of capital	\$0.45
March 31, 2003	April 16, 2003	Return of capital	\$0.00637
		Net income	\$0.62166
		Realized gain	\$0.12197
			<u>\$0.75000</u>
June 30, 2003	July 22, 2003	Return of capital	\$0.00527
		Net income	\$0.51391
		Realized gain	\$0.10082
			<u>\$0.62000</u>
September 30, 2003	October 24, 2003	Return of capital	\$0.00034
		Net income	\$0.03316
		Realized gain	\$0.00650
			<u>\$0.04000</u>
December 31, 2003	January 29, 2004	Return of capital	\$0.03119
		Net income	\$3.04199
		Realized gain	\$0.59682
			<u>\$3.67000</u>
May 31, 2004	June 25, 2004	Return of capital	\$0.00103
		Net income	\$0.31897
			<u>\$0.32000</u>
June 30, 2004	July 29, 2004	Return of capital	\$0.00101
		Net income	\$0.31545
			<u>\$0.31646</u>
September 30, 2004	October 29, 2004	Return of capital	\$0.00099
		Net income	\$0.30901
			<u>\$0.31000</u>
December 31, 2004	January 28, 2005	Return of capital	\$0.00289
		Net income	\$0.89711
			<u>\$0.90000</u>

Management Fees

Management fees of 1.25% per annum of the net asset value of the Trust are accrued and paid monthly by the Trust to the Manager.

Net Income from Operations

For the year ended December 31, 2004, the Trust's net income from operations was \$4,029,286 (2003: \$9,420,485). Consistent with the Trust's objectives, the key components of income from operations were the realized and unrealized gains and losses on hedge fund investments. The overall decrease in net income from operations in 2004 is affected by lower returns experienced by the Trust and costs incurred in April 2004 related to the special meeting of unitholders.

The following table presents expense ratios for the years ended December 31, 2004 and 2003. The line of the table entitled “Total expenses” presents the ratio of total expenses to weighted average net assets. The following lines present alternative measures that the Manager feels are of value to investors and that provide additional information with respect to the Trust’s expenses.

Ratio of expenses to weighted-average net assets	Year ended December 31	
	2004	2003
Total expenses ⁽¹⁾⁽²⁾	3.31%	0.62%
Total expenses excluding costs of special meeting ⁽²⁾	1.71%	0.62%
Total expenses excluding loan interest and stand-by fees ⁽¹⁾⁽²⁾	2.87%	0.22%

- (1) The ratio for the year ended December 31, 2004 include the costs associated with the information circular and the special meeting of unitholders held by the Trust on April 19, 2004 in the amount of \$1,310,811. The impact of these costs on the annualized ratio above for the year ended December 31, 2004 is an increase of 1.60%. These costs are expected to be non-recurring in nature.
- (2) Management fees were deferred for the period from the inception date of the Trust to March 31, 2004. These fees were subsequently waived effective with the April 19, 2004 unitholder meeting. Commencing in April 2004, management fees were expensed. Management fees expensed during the year ended December 31, 2004 were in the amount of \$825,494. The impact of these costs on the ratios above for the year ended December 31, 2004 is an increase of 1.00%.

Currency Hedging

The Trust uses derivative contracts to hedge the currency exposure of investments denominated in U.S. dollars. A portion of the Trust's liabilities, which are denominated in U.S. dollars, provides a natural hedge to the U.S. dollar denominated assets.

The following table summarizes the impact of currency exchange after taking into account the hedging activities of the Trust.

	2004	2003
Currency exchange on hedge fund investments denominated in U.S. dollars:		
Net realized loss	\$ (2,487,399)	(5,720,310)
Change in unrealized depreciation	(3,475,084)	(16,305,280)
Currency hedging of U.S. dollar denominated investments	6,760,577	21,016,325
Translation gain (loss) on natural hedge	673,116	3,104,974
Net impact of currency exchange	\$ 1,471,210	\$ 2,095,709

Purchases for Cancellation

Under its trust agreement, the Trust is required to make purchases of units of up to 2% of the outstanding units per quarter if the price at which the units are offered for sale is less than 92.5% of the current net asset value per unit as at the close of business on the preceding valuation date.

In December 2003, the Trust filed a notice of intention to make normal-course purchases of its units with the Toronto Stock Exchange. In its filing with the Exchange, the Trust indicated an intention to purchase up to 521,216 of the units of the Trust, representing 10% of the public float of the Trust then outstanding. In accordance with exchange rules and by-laws, the Trust may not pay more than the most recent market price for the units purchased. Units purchased under the bid are cancelled.

During the year ended December 31, 2004, the Trust did not purchase any units (2003: 106,800 units for a total amount of \$1,859,388) for cancellation under these programs. Given that no units were cancelled, no gain was realized for the Trust (2003: \$223,212). There was no impact on the overall return for the year 2004 (2003: 0.22%).

Distribution Reinvestment Plan

The Trust offers investors the opportunity to enroll in a distribution reinvestment plan (the "Plan"). The Plan allows investors to conveniently acquire additional units of the Trust by reinvesting their cash distributions. Purchases are made in the market if units of the Trust are trading at a price that is less than their net asset value. If units of the Trust are trading at a price that is greater than their net asset value, new units will be issued at a price that is the greater of their net asset value and 95% of the weighted average of the trading prices of the units over the five-day period prior to the issuance from Treasury.

Purchases from treasury made under this plan during the year 2004 amounted to 6,026 units while 1,877 units were purchased in the market (2003: 3,964 units were purchased in the market).

The Plan is a way to participate in the growth of the Trust. There is no charge to the participant for enrollment in the Plan.

If you are a registered unitholder and are interested in enrolling in the Plan, please complete an enrollment form and send it to the Plan Agent: CIBC Mellon Trust, P.O. Box 7010, Adelaide Street Postal Station, Toronto, Ontario M5C 2W9, or call 1-800-387-0825. Enrollment forms are available from your broker.

If you are the owner of units in an account with a broker or financial institution, you may provide them with a direction to enroll your units in the Plan.

Management's Responsibility

The accompanying financial statements have been prepared by Northwater Fund Management Inc., the Manager of the Trust ("Manager"), and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and other sections of the Annual report.

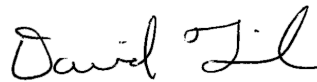
The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies that management believes are appropriate for the Trust are described in note 2 to the financial statements.

PricewaterhouseCoopers LLP are the external auditors of the Trust. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on page 16.



Benita M. Warmbold, CA

Managing Director and
Chief Financial Officer
Northwater Fund
Management Inc.



David S. Finch, CFA

Vice President
Northwater Fund
Management Inc.

Auditors' Report to the Unitholders of Northwater Market-Neutral Trust

We have audited the statement of investment portfolio as at December 31, 2004 and the statements of net assets of Northwater Market-Neutral Trust (the Trust) as at December 31, 2004, and 2003 and the statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2004 and 2003 and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
Toronto, Ontario
March 4, 2005

NORTHWATER MARKET-NEUTRAL TRUST

Statements of Net Assets

As at December 31, 2004 and 2003

	2004	2003
Assets		
Cash and short-term investments (cost: 2004 - \$15,679,518; 2003 - \$20,131,708)	\$ 15,749,322	20,131,416
Hedge fund investments – at fair value (note 3) (cost: 2004 - \$78,824,202; 2003 - \$82,227,807)	81,461,639	88,146,469
Hedge fund redemptions receivable	939,803	13,163,788
Settlement receivable on currency futures (note 8)	166,264	-
	<u>98,317,028</u>	<u>121,441,673</u>
Liabilities		
Professional, custody and other fees payable	138,101	64,879
Interest and standby fees payable	34,862	23,196
Distribution payable	4,719,227	19,221,842
Bank loan (note 6)	16,192,417	19,225,073
Settlement due on currency futures (note 8)	-	118,177
	<u>21,084,607</u>	<u>38,653,167</u>
Net assets and unitholders' equity (note 4)	<u>\$ 77,232,421</u>	<u>82,788,506</u>
Number of units outstanding (note 4)	<u>5,243,585</u>	<u>5,237,559</u>
Net asset value per unit	<u>\$ 14.73</u>	<u>15.81</u>

Signed on behalf of the Trustee,

The Royal Trust Company

Per: 

John P. Nolan
Director, Client Service
RBC Global Services, IIS

Per: 

Evan Davies
Client Service Manager
RBC Global Services, IIS

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

NORTHWATER MARKET-NEUTRAL TRUST

Statements of Operations

For the years ended December 31, 2004 and 2003

	2004	2003
Investment income		
Interest	\$ 149,523	84,559
Other income	-	30,928
	149,523	115,487
Expenses		
Interest and standby fees	362,294	395,351
Management fees (note 5)	825,494	-
Special meeting of unitholders (note 5)	1,310,811	-
Professional, trust and custody fees	47,634	64,510
Other fees	173,737	152,506
	2,719,970	612,367
Net investment loss	(2,570,447)	(496,880)
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on:		
Hedge fund investments	4,934,664	16,627,154
Currency exchange on hedge fund investments	(2,487,399)	(5,720,310)
Currency hedging of investments	6,760,577	21,016,325
Change in unrealized appreciation (depreciation) on:		
Hedge fund investments	193,859	(8,805,498)
Currency exchange on hedge fund investments	(3,475,084)	(16,305,280)
Net gain on currency, excluding hedge fund investments	673,116	3,104,974
Net realized and unrealized gain on investments for the year	\$ 6,599,733	9,917,365
Net income from operations for the year	\$ 4,029,286	9,420,485
Net income from operations per unit for the year*	\$ 0.77	1.80

*Based on the average number of units of 5,241,474 outstanding for the year (2003 – 5,237,559).

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

NORTHWATER MARKET-NEUTRAL TRUST

Statements of Changes in Net Assets

For the years ended December 31, 2004 and 2003

	2004	2003
Net assets – beginning of the year	\$ 82,788,506	101,834,209
Net income from operations for the year	4,029,286	9,420,485
Unit transactions (note 4)		
Net asset value of units reinvested distributions	94,414	-
Net asset value of units cancelled	-	(2,082,600)
Gain on cancellation of units	-	223,212
	94,414	(1,859,388)
Distribution to unitholders (note 7)		
Return of capital	(31,011)	(226,142)
From net realized gains	-	(4,326,795)
From net income	(9,648,774)	(22,053,863)
	(9,679,785)	(26,606,800)
Net assets – end of the year	\$ 77,232,421	82,788,506
Distribution per unit for the year*	\$ 1.85	5.08

*Based on the actual number of units outstanding on record date.

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

NORTHWATER MARKET-NEUTRAL TRUST

Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	2004	2003
Cash flow from operating activities		
Net income from operations	\$ 4,029,286	9,420,485
Items not affecting cash:		
Net realized gain on hedge fund investments	(2,447,265)	(10,906,844)
Net realized loss (gain) on currency futures	(284,441)	199,605
Change in unrealized appreciation in value of hedge fund investments	3,281,225	25,110,778
Changes in non-cash working capital:		
Change in payables	84,888	26,453
Purchase of hedge fund investments	(23,555,882)	(46,944,412)
Proceeds on sale of hedge fund investments	41,630,737	56,481,459
	22,738,548	33,387,524
Cash flow from financing activities		
Repayment of bank loan	(3,032,656)	(6,029,868)
Distributions paid	(24,182,400)	(9,789,920)
Acquisition of units	-	(1,859,388)
Issuance of units	94,414	-
	(27,120,642)	(17,679,176)
Net increase (decrease) in cash and short-term investments	(4,382,094)	15,708,348
Cash and short-term investments at the beginning of the year	20,131,416	4,423,068
Cash and short-term investments at the end of the year	\$ 15,749,322	20,131,416
Supplementary information:		
Interest paid	\$ 350,628	394,784

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

NORTHWATER MARKET-NEUTRAL TRUST

Statement of Investment Portfolio

As at December 31, 2004

	Maturity Date	Face Value	Cost	Fair/Market Value	Percentage of Investment Portfolio
Hedge fund investments*					
Asset-backed securities arbitrage			\$ 8,352,200	\$ 9,529,640	9.79%
Capital structure arbitrage			9,301,028	9,046,341	9.29%
Convertible bond arbitrage			9,337,278	8,565,356	8.80%
Distressed securities			7,088,120	8,676,560	8.91%
Energy relative value			658,350	668,131	0.69%
Fixed-income arbitrage			6,089,695	5,545,607	5.69%
Merger arbitrage			2,340,082	2,257,182	2.32%
Mortgage-backed security arbitrage			8,491,466	8,588,611	8.82%
Multi-strategy			16,651,374	18,237,845	18.73%
Re-insurance			4,260,009	4,212,276	4.33%
Statistical arbitrage			1,792,313	2,011,913	2.07%
Structured finance			4,462,287	4,122,177	4.22%
			78,824,202	81,461,639	83.66%
Settlement receivable on currency futures contract (note 8)				166,264	0.17%
Hedge fund Investments			78,824,202	81,627,903	83.83%
Cash			2,669,431	2,669,431	2.73%
Treasury bills					
Canada*	March 11, 2005	1,321,650	1,314,421	1,315,848	1.35%
Commercial paper					
Export Dev. Corp.*	January 10, 2005	4,205,250	4,142,168	4,202,517	4.32%
Key Nova Scotia Funding*	January 31, 2005	1,201,500	1,199,037	1,199,109	1.23%
Plaza Trust Series 1*	January 5, 2005	3,484,350	3,476,859	3,483,200	3.58%
Storm King Funding*	January 24, 2005	2,883,600	2,877,602	2,879,217	2.96%
Cash and short-term investments		\$ 13,096,350	15,679,518	15,749,322	16.17%
Total investment portfolio				97,377,225	100.00%
Liabilities over other assets				(20,144,804)	
Net assets and unitholders' equity				\$77,232,421	

Short term investments held at December 31, 2004 have yields ranging from 2.27% and 2.35%.

*These investments are denominated in U.S. \$ and have been converted to Cdn \$ at the prevailing year end rate.

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

NORTHWATER MARKET-NEUTRAL TRUST

Notes to Financial Statements

For the years ended December 31, 2004 and 2003

1. Establishment and Operations of the Trust

The Northwater Market-Neutral Trust (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a trust agreement made as of July 18, 1997, and restated on August 17, 1999. The trust agreement was further amended as a result of a special meeting of unitholders held on April 19, 2004. The Royal Trust Company ("Royal Trust") acts as Trustee. The Trust began operations on July 30, 1997 when it completed its initial public offering. The Trust's units are listed on the Toronto Stock Exchange under the symbol NMN.UN. The Trust will terminate on or about December 31, 2009, and the net assets will be distributed pro rata to the unitholders unless an alternative later termination date is approved by a two-thirds majority vote of the unitholders at a meeting called for this purpose. The Trust retained Northwater Fund Management Inc. (the "Manager") under a management agreement dated July 18, 1997.

To achieve a return based on a diversified portfolio of market-neutral hedge funds, hedged to Canada, the assets of the Trust are invested in cash and short-term investments, market-neutral hedge funds and currency futures contracts.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(a) Investments

Investment transactions are accounted for on a trade date basis. Investments are valued on the last day of each month ("Valuation Date").

Cash and short-term investments consist of cash in interest bearing accounts at Royal Trust, cash held with the futures broker and short-term investments with maturity of less than 90 days when purchased. Short-term investments are valued at the bid price for such instruments on each Valuation Date. Interest income is accrued on a monthly basis.

Investments in market-neutral hedge funds are valued on the basis of the definitive net asset values reported by the administrators or the portfolio managers of such funds on the Valuation Date or, if not available, the most recent provi-

sional net asset values based on preliminary returns reported by the administrators or the portfolio managers of such funds. The difference between fair value and cost is shown as an unrealized gain or loss on investments. Average cost is used to compute realized and unrealized gains and losses.

(b) Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the end of the period. Transactions during the period in currencies other than Canadian dollars are translated at the rates of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses are recognized in the Statements of Operations on each Valuation Date.

(c) Currency Hedging

The Trust enters into exchange-traded currency futures contracts to hedge the Canadian dollar value of portfolio securities and liabilities denominated in foreign currencies.

Upon entering into a futures contract, the Trust is required to deposit an "initial margin" with a broker based on a certain amount per contract. Subsequent payments representing variation margin are made or received each day depending on the daily fluctuation in the value of the contract. These daily changes are recorded as gains or losses in the Statements of Operations. The settlement due on futures contracts represents the daily variation margin owing or due to the Trust on the Valuation Date.

Futures contracts are valued at their settlement price, as published by the appropriate clearing house of the exchange, on each Valuation Date. In the absence of reported bid and offer quotations, the Manager may, from time to time, determine a value that more accurately reflects the fair value based on the current market value of the underlying interest. The notional values of the futures contracts are not recorded as assets in the Statements of Net Assets.

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. Investment in Market-Neutral Hedge Funds

As part of its investment strategy, the Trust invests in a diversified portfolio of market-neutral hedge funds.

The following table summarizes hedge fund transactions during the years ended December 31:

	2004	2003
Investment at cost		
- beginning of the year	\$ 82,227,807	\$ 90,571,350
Cost of investments purchased	23,555,882	46,944,412
Cost of investments sold	(26,959,487)	(55,287,955)
Investment at cost		
- end of the Year	78,824,202	82,227,807
Unrealized appreciation on investment	2,637,437	5,918,662
Market value of investment		
- end of the year	\$ 81,461,639	\$ 88,146,469
Proceeds of investment sold	29,406,752	66,194,799
Cost of investment sold	(26,959,487)	(55,287,955)
Net realized gain on investment	\$ 2,447,265	\$ 10,906,844

Market-neutral hedge funds that are included in the Trust's portfolio are organized as private investment companies and domiciled in non-U.S. jurisdictions primarily consisting of Bermuda, Cayman Islands and the Bahamas. These market-neutral hedge funds are managed by independent portfolio managers who are compensated by the respective market-neutral hedge funds they manage for their services. Such compensation generally consists of an asset-based fee, ranging from 1% to 2% annually, and a performance based incentive fee, generally ranging from 10% to 20% of net profits earned. Compensation paid to independent portfolio managers of the market-neutral hedge funds is not separately computed and disclosed by the Trust but rather is reflected in the valuation of each market-neutral hedge fund. Redemption provisions for the market neutral hedge funds will vary ranging from 30 days notice to 180 days notice.

4. Units Issued and Outstanding

The authorized capital of the Trust consists of an unlimited number of non-redeemable units. Units are transferable and represent an equal, undivided interest in the net assets of the Trust. All units are of the same class with equal rights and privileges. Each unit is entitled to one vote at any meeting of unitholders and to equal participation in any distributions made by the Trust. Fractional units will not be issued.

Under a normal course issuer bid and the Trust's quarterly market support obligation, the Trust did not purchase any units during the year ended December 31, 2004 (year ended December 31, 2003: 106,800 units).

Pursuant to the distribution reinvestment plan, 6,026 units were issued from Treasury during the year ended December 31, 2004 while 1,877 units were purchased in the market (year ended December 31, 2003: 3,964 units were purchased in the market).

The following unit transactions took place during the relevant years ended December 31:

	2004	2003
Balance of units outstanding		
- beginning of the year	5,237,559	5,344,359
Units issued during the year	6,026	-
Units cancelled during the year	-	(106,800)
Balance of units outstanding		
- end of the year	5,243,585	5,237,559

Unitholders' equity is comprised of unit capital and retained earnings. The following transactions for unit capital and retained earnings/ (deficit) took place during the relevant years:

	2004	2003
Unit capital		
- beginning of the year	\$ 111,051,963	\$112,911,351
Units issued for distribution	94,414	-
Cost of units cancelled	-	(1,859,388)
Unit capital		
- end of the year	\$ 111,146,377	\$111,051,963
	2004	2003
Retained earnings/(deficit)		
- beginning of the year	\$ (28,263,457)	\$(11,077,142)
Net income from operations for the year	4,029,286	9,420,485
Distribution to unitholders	(9,679,785)	(26,606,800)
Retained earnings/(deficit)		
- end of the year	\$ (33,913,956)	\$(28,263,457)

5. Management Fees

Northwater Fund Management Inc., the Manager is responsible for the day-to-day administration, portfolio management and unitholder services to the Trust. In return for these services, the Manager is entitled to an annual fee of 1.25% of the net assets of the Trust, calculated on the last Valuation Date of each month. The fee is paid monthly in arrears. The Manager will pay a portion of its fee to the Investment Advisor in consideration of the Investment Advisor's services to the Trust.

Effective with the April 19, 2004 unitholder meeting, the Manager waived all deferred management fees for the period from the inception date of the Trust

to March 31, 2004. Management fees in arrears at March 31, 2004 that were subsequently waived amounted to \$9,877,307 or \$1.88 per unit. The costs associated with the information circular and the special meeting held by the Trust on April 19, 2004 amounted to \$1,310,811.

Northwater Capital Management Inc. (the "Investment Advisor") acts as the advisor for the Trust. The Investment Advisor is registered in Canada as an advisor in the categories investment counsel and portfolio manager and as a dealer in the category limited market dealer under the Securities Act (Ontario), as amended, and as an advisor in the category commodity trading manager under the Commodity Futures Act (Ontario), as amended. The Investment Advisor is registered as a securities advisor under the Securities Act (Quebec), as amended. The Investment Advisor also has equivalent registrations in the Canadian provinces of New Brunswick, Prince Edward Island, Nova Scotia, Saskatchewan, Alberta and British Columbia under the securities legislations in these provinces. The Advisor is also registered in the United States as an investment advisor under the U.S. Investment Advisers Act of 1940, as amended, and as a commodity trading advisor and commodity pool operator under the U.S. Commodity Exchange Act, as amended. The Advisor is a member of the U.S. National Futures Association (the "NFA").

6. Bank Loan

The Trust has a revolving loan facility with a Canadian financial institution (the "Bank"). The facility entitles the Trust to borrow funds in Canadian or U.S. dollars up to an amount not exceeding 25% of the net asset value of the Trust for the purposes of making additional investments. In addition, the Trust may borrow, on a temporary basis, up to 10% of the net asset value of the Trust for the purposes of (i) effecting market purchases of units; (ii) maintaining liquidity to effect cash distributions; and (iii) settling currency hedging transactions. Borrowing limits for U.S. dollar loans are evaluated by converting to Canadian dollars using the Bank's notional exchange rates. Interest and standby fees are payable on a monthly basis. Interest rates are based on bank prime and/or Bankers' Acceptances for Canadian funds and bank prime and/or LIBOR for U.S. funds. A general security interest in the assets of the Trust has been provided in favour of the Bank. Loans outstanding as at the relevant year end dates were denominated in Canadian dollars and U.S. dollars.

The cost of the bank loan approximates its market value, due to its short term nature.

7. Distributions

The Trust pays quarterly distributions to unitholders of 2% of the net asset value (\$0.40 prior to April 19, 2004) per unit as of the month end preceding the given calendar quarter. Prior to April 19, 2004, distributions were paid to the extent that the net asset value per unit after giving effect to the distribution was greater than the initial net asset value on July 30, 1997 of \$18.79. If less than \$0.40 per unit was distributed in any quarter, the amount of the shortfall was carried forward and paid in the next quarter, or quarters, as long as the net asset value per unit after giving effect to the distribution remained greater than \$18.79 per unit.

During the year ended December 31, 2004, distributions of approximately \$1.85 per unit and \$9,679,785 in aggregate (year ended December 31, 2003: \$5.08 per unit and \$26,606,800 in aggregate) were made by the Trust.

Unitholders have the option of receiving distributions in cash, or in the form of additional units by way of the distribution reinvestment plan.

8. Futures Contract

The Trust has entered into futures contracts to hedge the currency exposure of portfolio securities and liabilities of the Trust denominated in foreign currencies.

As at December 31, 2004, short term investments with a face value of US \$1,100,000 (December 31, 2003: US \$1,300,000) were deposited as margin for currency futures contracts.

At December 31, 2004, the Trust held the following currency futures contracts:

	Closing price	Notional contract value	Settlement receivable on futures contracts
814 March 2005 Canadian Dollar Futures Contracts	US \$83.22	US \$67,741,080 CDN \$81,390,908	CDN \$166,264

9. Income Tax

The Trust qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada) (the "Tax Act"). As all of the net taxable income of the Trust, including net realized gains from private investment funds and deemed income computed under Section 94.1 of the Tax Act, will be paid or payable

to unitholders in each calendar year, no income tax will be payable by the Trust under the present provisions of the Tax Act. Such income is taxable in the hands of the unitholder. Occasionally, more income may be distributed than is earned by the Trust for tax purposes. This excess distribution is called a "return of capital" and is not taxable to the unitholder but reduces the adjusted cost base of the unit for tax purposes.

Net taxable income may differ from net income for accounting purposes.

As at December 31, 2004 the Trust had no non-capital loss carryforwards (2003: \$nil) and \$529,444 in capital loss carry forwards (2003: \$nil).

10. Indemnities

The Trust enters into various agreements that contain indemnity provisions, whereupon payment by the Trust may become due upon the occurrence of certain events including the following indemnities:

- 1) in priority to all and any rights of the Manager or of the unitholders, an indemnity to the trustee and each of its directors, officers, employees and agents, other than the Manager, in respect of any liability and all costs, charges and expenses sustained or incurred in respect of any action, suit or proceeding that is proposed or commenced and all other expenses, costs or charges, sustained or incurred in respect of the administration or termination of the Trust including any taxes, penalties and interest in respect of unpaid taxes and all other liabilities and charges of any nature whatsoever;
- 2) an indemnity to certain of the hedge funds in which the Trust invested, and to their administrators, for liabilities that may be incurred in the event that the Trust, in completing subscription agreements in making investments in such hedge funds, makes a misrepresentation in such subscription agreements resulting in losses or damages to such hedge funds or their administrators;
- 3) an indemnity to the Trust's futures broker with respect to any and all losses, costs and reasonable attorney's fees incurred by it in connection with the Trust's trading of futures contracts;
- 4) an indemnity to the Fund's Manager from all claims, cost, charges and expenses in connection with the execution of the duties of the Manager and from all other costs, charges and expenses the Manager may sustain or incur in relation to the affairs of the Trust;
- 5) an indemnity to the Trust's auditors with respect to any fraudulent acts or omissions by the Trust, or misrepresentations made or willful defaults

caused by the Trust resulting in claims against the Trust's auditors and in connection with third party claims made against the Trust's auditors relating to the services provided to the Trust by its auditors except as such claims may have resulted from the intentional neglect, misconduct or fraudulent behaviour of the Trust's auditors; and

- 6) an indemnity to its soliciting dealer for the April 19, 2004 unitholder meeting by the Trust with respect to any losses, expenses, claims, actions, damages and liabilities arising out of any action, suit, proceeding, investigation or claim made by any person arising out of or based upon, directly or indirectly, the engagement.

Historically, there have been no payments made under these indemnities. The Trust estimates the current liability at zero. The indemnities entered into by the Trust can extend for an unlimited period of time. We are unable to estimate the maximum potential liability for these indemnities, as the agreements do not specify a maximum amount and the amounts that may be required to be paid are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

NORTHWATER CAPITAL MANAGEMENT INC.

Northwater is a Canadian-based investment advisor known as an innovator and leader in applying derivative and other quantitative strategies to create sophisticated investment products. Northwater was incorporated on January 4, 1989 as Newcastle Capital Management Inc. and amalgamated with related entities on July 4, 1994 and July 31, 2001 to form Northwater. As at December 31, 2004, Northwater had approximately \$10.2 billion in assets under management, including \$4.5 billion in funds of market-neutral hedge fund assets, which Northwater believes makes it the largest such provider in Canada, and among the largest in the world. Northwater has offices in Toronto and New York.

Northwater has been managing assets using derivative instruments since 1989. Northwater launched its first fund of hedge funds in 1994, establishing NewQuant Trust I (formerly Alpha Star Trust), which Northwater believes was the first investment vehicle of its kind in Canada. Northwater Market-Neutral Trust launched in 1997 is the first publicly-listed investment vehicle of its kind in Canada to invest in a diversified portfolio of hedge funds.

Clients of Northwater include the pension funds of many of the largest corporations in Canada, including the Canadian subsidiaries of a number of Fortune 500 companies. Currently Northwater manages or advises a number of other funds of market-neutral hedge funds for its European, American and Canadian clients. Northwater also acts as adviser to a number of sophisticated U.S. and European institutional investors as well as pension and endowment funds of a number of universities and other public sector institutions.

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For most recent net asset value update call: 1 (888) 429-8774

TSE Symbol: NMN.UN

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