

NORTHWATER

**Northwater Top 75 Income Trusts^{Plus}
September 30, 2005
Quarterly Portfolio Disclosure and Update**





CONTENTS

Message to Unitholders from the Investment Advisor	2
Unaudited Statement of Net Assets and Statement of Operations	4-5
Unaudited Summary of Investment Portfolio	6
Additional Portfolio Information	10
Northwater Capital Management Inc.	14

MESSAGE TO UNITHOLDERS FROM THE INVESTMENT ADVISOR

The Northwater Top 75 Income Trusts^{Plus} (the “Trust”) is a closed-end fund that invests generally in a diversified equal-weighted portfolio of the 75 largest income trusts by market capitalization listed on the Toronto Stock Exchange. The Trust also provides a 100% leveraged exposure to Northwater’s fund of market-neutral hedge funds. Units of the Trust are traded on the Toronto Stock Exchange under the symbol NTP.UN. For the third quarter of 2005, the return of the Trust was 11.65%. During the same time period, the S&P TSX Capped Canadian Income Trust Total Return Index rose by 14.89%, the TSX Composite Index rose by 11.63% and the S&P 500 rose by 3.60%. The Trust made distributions of \$0.24 per unit during the quarter.

The Trust’s exposure to generally an equal-weighted portfolio of the 75 largest Canadian income trusts by market capitalization had a positive impact, inclusive of distributions, on the quarterly return of approximately 11.02%. The primary driver of this return was the positive contribution from the heavily weighted energy sector funds. The exposure to Northwater’s fund of market-neutral hedge funds had a positive contribution to the quarterly return.

The broader U.S. equity markets registered respectable gains for the third quarter of 2005. A robust July was partially offset, however, by weaker returns in August and September as hurricane activity, high energy prices, and employment concerns dampened the resilience of the U.S. consumer.

Investment grade credit spreads were largely unchanged while the spreads on more speculative issues tightened during the quarter. Credit buyers returned to the market over the period after having digested the negative auto-sector credit news in the second quarter. Credit spread volatility remained low during the quarter.

The supply shocks brought on by hurricanes Katrina and Rita contributed to already volatile oil markets. West Texas Intermediate Crude Oil (Midland) prices set a new closing high of U.S.\$70.31 per barrel on August 30th, 2005. The storms also sent natural gas prices skyrocketing to all-time highs.

A tightening monetary policy environment provided strength to the U.S. dollar, which gained moderately against the Yen, Sterling, and Euro. Post-election political uncertainty in Germany contributed further to the Euro’s weakness against the U.S. dollar. On July 21st, 2005 China removed its peg to the U.S. dollar in favor of a peg to a basket of currencies, revaluing the Yuan upwards by 2.1 percent.

Overall, the Trust’s portfolio of market-neutral hedge funds experienced muted returns in the third quarter. Gains in the structured finance, merger arbitrage,

distressed securities, and multi-strategy funds were offset by losses in the energy relative value and re-insurance strategies.

Hurricanes Katrina and Rita had a two-pronged negative effect on Northwater's portfolios. The large economic toll caused by the storms precipitated losses for the re-insurance managers in the portfolio. The dislocation in energy prices resulting from the storms also led to a significant drawdown for one of our energy relative value managers.

A significant portion of the profits generated via structured finance strategies are directly related to floating rates; as such, higher interest rates, coupled with minimal credit losses, have contributed to strong returns in the strategy. Merger arbitrage and related event-driven strategies have been strong performers, driven primarily by increased deal flow in Europe due to wide-spread consolidation and restructuring. While distressed securities witnessed a shortage of new investment opportunities, selective exposure to operational distressed credits provided solid returns during the quarter. Multi-strategy funds also performed well, emphasizing their role as opportunistic allocators of capital.

During the third quarter of 2005, Northwater continued to actively manage its hedge fund portfolios. Several managers were removed from the Northwater hedge fund portfolios, most notably those pursuing convertible bond, capital structure, and fixed income arbitrage, because of a decline in return in those strategies. Several multi-strategy managers were also removed due to prolonged lackluster performance and an absence of investment innovation. One distressed securities manager was added, and we continue to see opportunities to increase allocations to both existing and new managers.

Northwater remains committed to market-neutral investing. The changes we have made to our portfolios are evidence of our commitment to find opportunities in the market in our search for reliable sources of alpha.



DANIEL C. R. MILLS, CFA
Managing Director and
Chief Investment Officer,
Northwater Capital Management Inc.



DAVID J. FLETCHER, CFA
Vice-President,
Northwater Capital Management Inc.

October 26, 2005

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Statement of Net Assets
(in Canadian dollars)

	As at September 30, 2005 (unaudited)
Assets	
Bank indebtedness	\$ (7,514)
Income trusts – at fair value (cost: \$29,724,808)	32,485,308
Common shares – at fair value (cost: \$3,030,487)	3,067,189
Forward contract	(359,768)
Distribution receivable	247,918
	<u>35,433,133</u>
Liabilities	
Professional, custody and other fees payable	97,290
Distribution payable	258,840
Loan payable	3,048,072
Settlement payable on currency futures	2,403
	<u>3,406,605</u>
Net assets and unitholders' equity	<u>\$32,026,528</u>
Number of units outstanding	<u>3,235,500</u>
Net asset value per unit	<u>\$ 9.90</u>

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Statement of Operations
(in Canadian dollars)

	For the period from February 25, 2005 to September 30, 2005 (unaudited)
Investment income	
Distributions	\$1,600,847
Interest	2,540
	<u>1,603,387</u>
Expenses	
Service fee	76,681
Forward financing fee	103,266
Management fee	46,897
Audit fee	18,725
Advisory board fee	6,649
Custodian fee	2,814
Legal fee	7,077
Security holder reporting costs	18,517
Interest	54,355
Other fees	2,074
	<u>337,055</u>
Net investment income	<u>1,266,332</u>
Realized and unrealized gain (loss) on investments	
Net realized loss on:	
Income trusts	(4,109)
Currency forwards	(23,758)
Change in unrealized appreciation (depreciation) on:	
Common shares	36,702
Income trusts	2,760,500
Forward contract	(359,768)
Currency forwards	<u>(2,403)</u>
Realized and unrealized gain (loss) on investments for the period	<u>2,407,164</u>
Net gain from operations for the period	<u>\$3,673,496</u>
Net gain from operations per unit for the period*	<u>\$ 1.13</u>

* Based on the average number of units outstanding for the period.

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Summary of Investment Portfolio⁽¹⁾

As at September 30, 2005

(in Canadian dollars)

(unaudited)

The following table presents information regarding the income trust portfolio held by the Trust including the asset allocation by trust sector, the number of income trusts by trust sector and the largest individual income trust holding for each trust sector as a percentage of the total net asset value of the Trust as at September 30, 2005.

<u>Trust Sector</u>	<u>Asset allocation by trust sector As at September 30, 2005</u>			Largest individual income trust holding for each individual trust sector As at September 30, 2005
	<u>No. of Income Trusts</u>	<u>Fair Value</u>	<u>Percentage</u>	Percentage of Net Assets of the Trust
Business trusts	24	\$ 9,476,005	29%	1.59%
Energy trusts	26	12,114,763	37%	1.77%
Power & pipeline trusts	11	4,479,075	14%	1.33%
Real estate investment trusts . .	15	6,415,465	20%	1.48%
	<u>76</u>	<u>\$32,485,308</u>	<u>100%</u>	<u>6.17%</u>

(1) The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. There are no non-arm's length relationships between the Trust or Northwater Fund Management Inc. and any of the hedge funds for which the Trust has exposure. On a quarterly basis, an updated listing of holdings will be available.

The following table lists the largest 25 income trusts by fair value held by the Trust as at September 30, 2005.

<u>Top 25 Income Trust Investments</u>	<u>Type of Investment</u>	<u>Percentage of Net Assets</u>
Harvest Energy Trust	Trust units	1.80%
Paramount Energy Trust	Trust units	1.70%
Viking Energy Royalty Trust	Trust units	1.69%
Vermilion Energy Trust	Trust units	1.66%
Trinidad Energy Services Income Trust	Trust units	1.62%
Progress Energy Trust	Trust units	1.61%
Petrofund Energy Trust	Trust units	1.53%
StarPoint Energy Trust	Trust units	1.50%
Riocan Real Estate Investment Trust	Trust units	1.48%
Shiningbank Energy Income Fund	Trust units	1.48%
PrimeWest Energy Trust	Trust units	1.47%
Summit Real Estate Investment Trust	Trust units	1.46%
Provident Energy Trust	Trust units	1.45%
Primaris Retail Real Estate Investment Trust	Trust units	1.43%
Pengrowth Energy Trust – Class B Trust Unit	Trust units	1.42%
NAL Oil & Gas Trust	Trust units	1.42%
Keyera Facilities Income Fund	Trust units	1.41%
Peyto Energy Trust	Trust units	1.41%
Pembina Pipeline Income Fund	Trust units	1.35%
Yellow Pages Income Fund	Trust units	1.34%
H&R Real Estate Investment Trust	Trust units	1.34%
InnVest Real Estate Investment Trust	Trust units	1.34%
Northland Power Income Fund	Trust units	1.33%
Inter Pipeline Fund	Trust units	1.33%
TransCanada Power L.P.	Trust units	1.31%

The following table presents information regarding the hedge funds to which the Trust has exposure through a forward purchase and sale agreement including the asset allocation by investment strategy, the number of hedge funds by investment strategy and the largest individual hedge fund holding for each investment strategy as a percentage of the total net asset value of the Trust as at September 30, 2005. The multi-strategy funds may invest in multiple investment strategies.

<u>Strategy</u>	<u>Asset allocation by hedge fund strategy As at September 30, 2005</u>			<u>Largest individual hedge fund holding for each individual strategy As at September 30, 2005</u>
	<u>No. of Hedge Funds</u>	<u>Fair Value (in U.S. dollars)</u>	<u>Percentage</u>	<u>Percentage of Net Assets of the Trust</u>
Asset-backed securities				
arbitrage	4	\$ 3,161,642	14%	3.91%
Capital structure arbitrage . . .	5	3,879,212	16%	4.96%
Convertible bond arbitrage . . .	2	1,734,008	7%	3.74%
Distressed securities	3	2,254,285	10%	4.49%
Energy relative value	2	820,909	4%	1.53%
Fixed-income arbitrage	2	1,323,315	6%	2.91%
Merger arbitrage	2	1,099,117	5%	2.17%
Mortgage-backed security				
arbitrage	2	1,332,576	6%	2.96%
Multi-strategy	5	3,887,105	16%	4.03%
Re-insurance	2	1,367,359	6%	3.26%
Structured finance	4	2,347,644	10%	2.56%
	<u>33</u>	<u>\$23,207,172</u>	<u>100%</u>	<u>36.52%</u>

The following table lists the largest 25 hedge funds by fair value to which the Trust has exposure through a forward purchase and sale agreement as at September 30, 2005. The Trust will disclose the names of those hedge funds to which it has exposure that represent more than 5% of the net assets of the Trust at quarter-end. For the third-quarter, no hedge funds represented more than 5% of the net assets of the Trust. For hedge funds that represent less than 5% of the Trust's net assets, the Trust has adopted unique fund numbers as identifiers. These numbers will be used consistently in reporting going forward.

<u>Top 25 Hedge Fund Investments</u>	<u>Type of Investment</u>	<u>Percentage of Net Assets</u>
Fund 170*	Participating shares	4.96%
Fund 101*	Participating shares	4.49%
Fund 175*	Participating shares	4.03%
Fund 169*	Participating shares	3.91%
Fund 171*	Participating shares	3.81%
Fund 125*	Participating shares	3.74%
Fund 172*	Participating shares	3.65%
Fund 158*	Participating shares	3.26%
Fund 146*	Participating shares	3.08%
Fund 160*	Participating shares	2.96%
Fund 140*	Participating shares	2.91%
Fund 183*	Participating shares	2.63%
Fund 205*	Participating shares	2.56%
Fund 164*	Participating shares	2.55%
Fund 116*	Participating shares	2.54%
Fund 200*	Participating shares	2.25%
Fund 199*	Participating shares	2.23%
Fund 102*	Participating shares	2.17%
Fund 193*	Participating shares	1.90%
Fund 191*	Participating shares	1.89%
Fund 186*	Participating shares	1.88%
Fund 189*	Participating shares	1.87%
Fund 197*	Participating shares	1.85%
Fund 196*	Participating shares	1.85%
Fund 166*	Participating shares	1.83%

* held by other investment funds managed by Northwater Fund Management Inc.

The Trust also holds 430,703 shares in Nortel Networks Corp. and 17,985 shares in Research in Motion Ltd. as at September 30, 2005. The market values of the Nortel Networks Corp. shares and Research in Motion Ltd. shares as a percentage of the net assets of the Trust are 5.12% and 4.45% as at September 30, 2005, respectively. The Trust does not have economic exposure to these holdings in Nortel Networks Corp. and Research in Motion Ltd. as these shares have been sold forward by the Trust for a price based on the return of a portfolio of hedge funds.

ADDITIONAL PORTFOLIO INFORMATION

Investment Portfolio and Activity

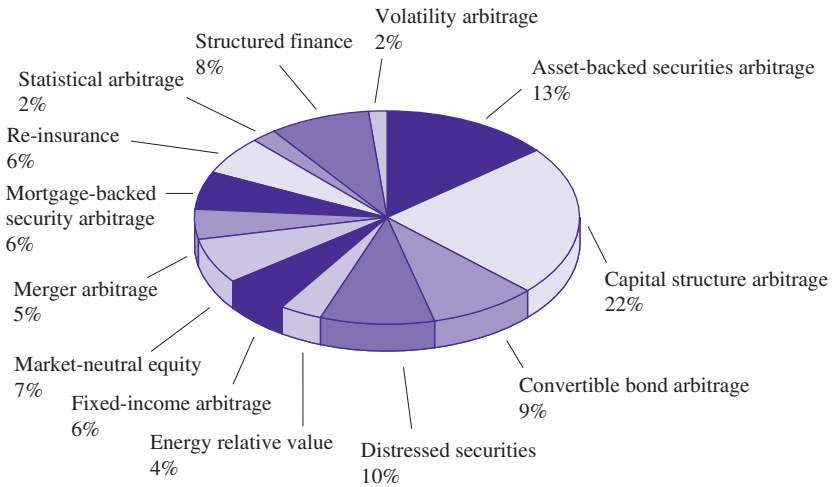
The Trust generally holds directly a broadly diversified portfolio of the largest 75 income trusts listed on the Toronto Stock Exchange ranked by market capitalization. As at September 30, 2005, the Trust holds 76 income trusts due to a corporate action undertaken by one of its holdings. Pursuant to the Trust's policy of rebalancing on an annual basis, commencing in February 2006, the Trust will rebalance the income trust portfolio annually so that, at the time of each rebalancing, the income trusts in the portfolio are equally-weighted and generally reflective of the largest 75 Canadian income trusts by market capitalization.

The Trust has also obtained exposure to a portfolio of market-neutral hedge funds (referred to as the Hedge Fund Portfolio) held by Enhancement Fund Limited (the Fund), a Cayman Islands exempt company, through a forward purchase and sale agreement with a Canadian bank. The Hedge Fund Portfolio emphasizes sectors of the capital markets that Northwater Capital Management Inc. (the Investment Advisor) believes are relatively inefficient or present opportunities to generate uncorrelated returns. The Investment Advisor believes that such sectors offer arbitrage, relative value or absolute return opportunities and should reward insightful investment analysis.

The Hedge Fund Portfolio is invested in hedge funds that pursue non-traditional investment strategies and is, therefore, subject to the special risks of investing in these strategies. For this reason, the Investment Advisor seeks to diversify the Hedge Fund Portfolio across 13 broad investment strategies. The hedge funds that the Trust has exposure to have been established in offshore jurisdictions and prepare annual audited financial statements, in accordance with US or International generally accepted accounting principles (GAAP).

During the period from February 25, 2005 to September 30, 2005, as the Hedge Fund Portfolio was invested, investments were placed with 33 hedge funds.

The following chart illustrates the hedge fund holdings by strategy as at September 30, 2005. The multi-strategy hedge funds have been allocated to various hedge fund strategies to reflect their exposure to their constituent strategies. Strategy weights are dynamic and may change from period to period.



Investment Portfolio Risk Characteristics

The following tables present information for the period from February 25, 2005 to September 30, 2005 regarding elements of the risk profile of both the Trust and the Trust’s exposure to the Hedge Fund Portfolio held by the Fund.

Trust Statistics

For the period from inception to September 30, 2005

# of positive monthly returns	6
# of negative monthly returns	2
% of negative months	25%
Average size of negative months	-2.59%
Worst monthly return	-4.24%

Single Hedge Fund Statistics of the Fund

**For the period from
February 25, 2005 to
September 30, 2005**

# of hedge funds with positive returns ⁽¹⁾	25
# of hedge funds with negative returns ⁽¹⁾	8
Average annual hedge fund standard deviation ⁽²⁾	3.94%
Average correlation between hedge funds ⁽³⁾	0.14

Notes:

- (1) Measured for hedge funds in the Hedge Fund Portfolio of the Fund as at September 30, 2005.
- (2) As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio of the Fund as at September 30, 2005, excludes hedge funds with less than 24 months of historical returns.
- (3) As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio of the Fund as at September 30, 2005, excludes hedge funds with less than 24 months of historical returns.

Investment Performance

The following table presents the total realized and unrealized gains and losses by income trust sector for the period from February 25, 2005 to September 30, 2005.

Trust Sector

**For the period from
February 25, 2005 to
September 30, 2005**

Business trusts	\$ 75,520
Energy trusts	\$2,239,304
Power & pipeline trusts	\$ 13,133
Real estate investment trusts	\$ 428,434

The following table presents the return by investment strategy of the Hedge Fund Portfolio held by the Fund for the period from February 25, 2005 to September 30, 2005.

Strategy

**For the period from
February 25, 2005 to
September 30, 2005**

Asset-backed securities arbitrage	5.92%
Capital structure arbitrage	-1.01%
Convertible bond arbitrage	-3.67%
Distressed securities	2.47%
Energy relative value	-8.45%
Fixed-income arbitrage	1.79%
Merger arbitrage	9.91%
Mortgage-backed security arbitrage	2.51%
Multi-strategy	4.54%
Re-insurance	-6.63%
Structured finance	2.84%

Distributions

The following table presents the distribution history for the Trust since inception.

Distribution History

<u>Record date</u>	<u>Date distribution paid</u>	<u>Character of distribution for tax purposes</u>	<u>Amount per unit</u>
March 31, 2005	April 15, 2005	To be determined	\$0.08
April 30, 2005	May 15, 2005	To be determined	\$0.08
May 31, 2005	June 15, 2005	To be determined	\$0.08
June 30, 2005	July 15, 2005	To be determined	\$0.08
July 31, 2005	August 15, 2005	To be determined	\$0.08
August 31, 2005	September 15, 2005	To be determined	\$0.08
September 30, 2005	October 15, 2005	To be determined	\$0.08

NORTHWATER CAPITAL MANAGEMENT INC.

Northwater, a leader in financial innovation since January 1989, offers customized portfolio solutions to the global investment community by providing stable, diversified alpha and precise, low-cost market exposure.

Utilizing its expertise in constructing market-neutral portfolios that generate consistent returns in both normal and extreme markets, Northwater delivers a reliable source of alpha that can be tailored to meet an investor's active risk budget. In addition, the firm's established indexing capability allows access to the global equity and fixed income markets to complement an investor's unique asset/liability profile. Northwater's proven structuring technology then combines these two components in a portable alpha framework that achieves an investor's return/risk objectives in an efficient, cost-effective manner.

With over a ten year track record in fund of hedge funds, Northwater has steadily grown assets under management to approximately CDN \$10.4 billion total, including CDN \$4.5 billion invested in hedge funds. Northwater has focused on developing, delivering and continuously improving its market-neutral fund of hedge fund portfolios since launching its first such portfolio in 1994.

Northwater advises institutional clients in Canada, the United States, the United Kingdom and the rest of Europe. The firm has offices in Toronto and New York.

Northwater Market-Neutral Trust which was launched in 1997 and is also advised by Northwater was the first publicly-listed investment vehicle of its kind in Canada to invest in a diversified portfolio of market-neutral hedge funds. Northwater also advises Northwater Five-Year Market-Neutral Trust and Northwater Top 75 Income Trusts^{Plus}, two additional publicly-listed vehicles.

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Suite 4700, BCE Place
Bay Wellington Tower
181 Bay Street, P.O. Box 794
Toronto, Ontario M5J 2T3
Telephone: (416) 360-5435
Fax: (416) 360-0671
E-mail: mpt@northwatercapital.com

INVESTMENT MANAGER

Northwater Fund Management Inc.
Suite 4700, BCE Place
181 Bay Street, P.O. Box 794
Toronto, Ontario M5J 2T3
Telephone: (416) 360-5435
Fax: (416) 360-0671
E-mail: mpt@northwatercapital.com

INVESTMENT ADVISOR OF ENHANCEMENT FUND LIMITED

Northwater Capital Management Inc.
Suite 4700, BCE Place
181 Bay Street, P.O. Box 794
Toronto, Ontario M5J 2T3
Telephone: (416) 360-5435
Fax: (416) 360-0671
E-mail: mpt@northwatercapital.com

LEGAL ADVISORS

McCarthy Tétrault LLP
Suite 4700, Box 48
Toronto Dominion Bank Tower
Toronto, Ontario M5K 1E6

AUDITORS

PricewaterhouseCoopers LLP
Suite 3000, Box 82
Royal Trust Tower, Toronto Dominion Centre
Toronto, Ontario M5K 1G8

FOR FURTHER INFORMATION PLEASE CONTACT:

Mohamed Khaki or Stephen Foote
Telephone: (416) 360-5435
Fax: (416) 360-0671
E-mail: mpt@northwatercapital.com

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

TSE Symbol: NTP.UN



