

NORTHWATER

**Northwater Top 75 Income Trusts^{Plus}
March 31, 2006
Quarterly Portfolio Disclosure and Update**





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MESSAGE TO UNITHOLDERS FROM THE INVESTMENT ADVISOR

The Northwater Top 75 Income Trusts^{Plus} (the “Trust”) is a closed-end fund that invests 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 trade on the Toronto Stock Exchange (TSX: NTP.UN).

For the first quarter of 2006, the return of the Trust was 5.45%. During the same time period, the S&P TSX Capped Canadian Income Trust Total Return Index rose by 7.41%, the TSX Composite Index rose by 7.98% and the S&P 500 rose by 4.21%. The Trust made distributions of \$0.24 per unit during the quarter. The Trust’s exposure to an equal-weighted portfolio of the 75 largest Canadian income trusts had a positive impact on the quarterly return of approximately 4.42% as trust prices rose and yields declined during the quarter. Strong energy markets and solid economic growth all contributed to the continued demand for income trusts and resulting positive performance from the portfolio.

Broader global equity markets registered strong gains during the second quarter, as investors shrugged off higher energy prices in light of strong economic news and corporate profits. Economic indicators, including GDP and employment were all very strong during the quarter. Real estate prices continued their extraordinary rise, but the rate of price appreciation began to moderate in response to rising interest rates.

Credit markets during the first quarter were largely positive and stable. A flurry of high yield issuance resulting from leveraged buy-out activity was met with equal or greater demand from CDO (Collateralized Debt Obligation) buyers. Corporate balance sheets have been very strong, with high operating cash flows and low capital expenditures driving their conservative stance.

Overall, the Trust’s exposure to Northwater’s portfolio of market-neutral hedge funds experienced robust returns in the first quarter. The vast majority of the hedge funds recorded gains for the quarter and these profits were generated in almost every hedge fund strategy.

Convertible bond arbitrage enjoyed a strong quarter because of renewed investor interest and positive cash flows into the sector. Managers engaged in market-neutral equity and statistical arbitrage strategies posted strong results due to favorable equity conditions for their strategies. Distressed securities managers also experienced strong gains, as positions in both energy-related distressed holdings and in aircraft holdings were higher during the quarter.

Asset-backed securities were relatively strong for the quarter but conditions are becoming more difficult in asset-backed markets due to tight spreads and a limited number of distressed asset-backed securities in the market. The performance of the underlying collateral has been very good due to appreciating home prices and low unemployment leading to strong consumer credit performance.

During the first quarter, Northwater continued to actively manage the Trust's portfolio by adding, amongst others, two statistical arbitrage funds to the portfolio and an energy fund. Holdings of certain capital structure arbitrage funds, amongst others, were reduced during the first quarter. Northwater continues to focus on improving the portfolio by refining its stable of managers and focusing on market-neutral strategies that are able to deliver strong risk-adjusted returns consistent with the investment objectives.



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Managing Director and
Chief Investment Officer,
Northwater Capital Management Inc.



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Vice-President,
Northwater Capital Management Inc.

May 16, 2006

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Statement of Net Assets
(in Canadian dollars)

	As at March 31, 2006 (unaudited)
Assets	
Cash	\$ 135,126
Income trusts – at fair value (cost: 2005 – \$31,658,574)	31,486,491
Common shares – at fair value (cost: 2005 – \$3,030,487)	3,316,146
Distribution receivable	240,894
Settlement receivable on currency futures	643
	<u>35,179,300</u>
Liabilities	
Audit, legal and custody fees payable	45,818
Service fees payable	67,154
Unrealized loss on forward contract	175,056
Management fee payable	21,232
Distribution payable	250,952
Loan payable	3,032,386
Forward financing fee payable	30,378
	<u>3,622,976</u>
Net assets and unitholders' equity	<u>\$31,556,324</u>
Number of units outstanding	<u>3,136,900</u>
Net asset value per unit	<u>\$ 10.06</u>

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Statement of Operations
(in Canadian dollars)

	For the three-month period ended March 31, 2006 (unaudited)
Investment income	
Distributions	\$ 722,643
Interest	480
	<u>723,123</u>
Expenses	
Service fee	33,797
Forward financing fee	76,926
Management fee	54,402
Audit fee	9,100
Advisory board fee	2,537
Custodian fee	1,271
Legal fee	(4,163)
Security holder reporting costs	19,574
Interest	33,616
Administrative fees	1,761
	<u>228,821</u>
Net investment income	<u>494,302</u>
Realized and unrealized gain (loss) on investments	
Net realized gain (loss) on:	
Income trusts	196,290
Currency futures	(1,026)
Change in unrealized appreciation (depreciation) on:	
Common shares	406,802
Income trusts	453,183
Forward contract	83,829
Currency futures	1,759
	<u>1,140,837</u>
Realized and unrealized gain (loss) on investments for the period	<u>1,140,837</u>
Net income from operations for the period	<u>\$1,635,139</u>
Net income from operations per unit for the period*	<u>\$ 0.52</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 March 31, 2006

(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 March 31, 2006.

<u>Trust Sector</u>	<u>Asset allocation by trust sector As at March 31, 2006</u>			<u>Largest individual income trust holding for each individual trust sector As at March 31, 2006</u>
	<u>No. of Income Trusts</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Percentage of Net Assets of the Trust</u>
Business trusts	23	\$ 9,476,398	30%	1.42%
Energy trusts	30	12,642,710	40%	1.53%
Power & pipeline trusts	9	3,763,180	12%	1.44%
Real estate investment trusts	13	5,604,203	18%	1.46%
	<u>75</u>	<u>\$31,486,491</u>	<u>100%</u>	<u>5.85%</u>

The following table lists the largest 25 income trusts by fair value held by the Trust as at March 31, 2006.

<u>Top 25 Income Trust Investments</u>	<u>Type of Investment</u>	<u>Percentage of Net Assets</u>
Peyto Energy Trust	Trust units	1.53%
Canadian Oil Sands Trust	Trust units	1.49%
Canadian Real Estate Investment Trust	Trust units	1.46%
NAL Oil & Gas Trust	Trust units	1.45%
Daylight Energy Trust	Trust units	1.45%
Petrofund Energy Trust	Trust units	1.45%
Pembina Pipeline Income Fund	Trust units	1.44%
Baytex Energy Trust	Trust units	1.43%
Summit Real Estate Investment Trust	Trust units	1.43%
Calloway Real Estate Investment Trust	Trust units	1.43%
Progress Energy Trust	Trust units	1.42%
Labrador Iron Ore Royalty Income Fund	Trust units	1.42%
InnVest Real Estate Investment Trust	Trust units	1.41%
GMP Capital Trust	Trust units	1.40%
Provident Energy Trust	Trust units	1.40%
Crescent Point Energy Trust	Trust units	1.40%
Riocan Real Estate Investment Trust	Trust units	1.40%
Penn West Energy Trust	Trust units	1.39%
Canetic Resources Trust	Trust units	1.39%
Cominar Real Estate Investment Trust	Trust units	1.39%
Boardwalk Real Estate Investment Trust	Trust units	1.37%
Focus Energy Trust	Trust units	1.37%
BFI Canada Income Fund	Trust units	1.36%
Precision Drilling Trust	Trust units	1.36%
H&R Real Estate Investment Trust	Trust units	1.36%

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 March 31, 2006. The multi-strategy funds may invest in multiple investment strategies.

Strategy	Asset allocation by hedge fund strategy As at March 31, 2006			Largest individual hedge fund holding for each individual strategy As at March 31, 2006
	No. of Hedge Funds	Fair Value (in U.S. dollars)	Percentage	Percentage of Net Assets of the Trust
Activist	1	\$ 647,388	3%	2.39%
Asset-backed securities				
arbitrage	4	3,313,205	14%	4.23%
Capital structure arbitrage	2	1,240,230	5%	2.67%
Convertible bond arbitrage	2	448,090	2%	1.42%
Distressed securities	5	2,646,647	11%	4.09%
Energy relative value	3	1,243,068	5%	1.62%
Fixed-income arbitrage	2	1,412,891	6%	3.19%
Merger arbitrage	1	560,059	2%	2.07%
Mortgage-backed security				
arbitrage	4	2,946,251	12%	3.83%
Multi-strategy	5	4,149,461	18%	4.19%
Re-insurance	2	1,271,330	5%	2.89%
Structured finance	2	2,962,802	13%	2.72%
Statistical arbitrage	5	861,521	4%	1.60%
	<u>38</u>	<u>\$23,702,943</u>	<u>100%</u>	<u>36.91%</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 hedge funds by fair value to which the Trust has exposure through a forward purchase and sale agreement as at March 31, 2006. 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. As of March 31, 2006, 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 169*	Participating shares	4.23%
Fund 175*	Participating shares	4.19%
Fund 101*	Participating shares	4.09%
Fund 171*	Participating shares	4.03%
Fund 150*	Participating shares	3.83%
Fund 146*	Participating shares	3.31%
Fund 140*	Participating shares	3.19%
Fund 160*	Participating shares	3.14%
Fund 183*	Participating shares	2.99%
Fund 116*	Participating shares	2.97%
Fund 158*	Participating shares	2.89%
Fund 205*	Participating shares	2.72%
Fund 170*	Participating shares	2.67%
Fund 200*	Participating shares	2.39%
Fund 209*	Participating shares	2.39%
Fund 199*	Participating shares	2.34%
Fund 181*	Participating shares	2.07%
Fund 191*	Participating shares	2.03%
Fund 186*	Participating shares	1.99%
Fund 189*	Participating shares	1.98%
Fund 193*	Participating shares	1.98%
Fund 196*	Participating shares	1.97%
Fund 190*	Participating shares	1.94%
Fund 210*	Participating shares	1.92%
Fund 197*	Participating shares	1.91%

* 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 March 31, 2006. 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 4.87% and 5.64% as at March 31, 2006, 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

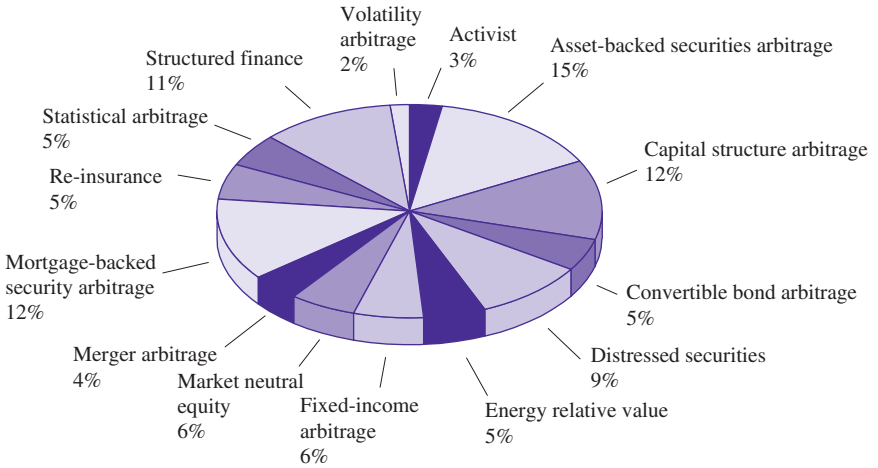
The Trust generally holds directly a broadly diversified portfolio of the largest 75 income trusts listed on the Toronto Stock Exchange ranked by market capitalization. Pursuant to the Trust's policy of rebalancing on an annual basis, commencing in February 2006, the Trust will rebalance the income trust 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 14 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 three-month period ended March 31, 2006, investments were placed with five new hedge funds (consisting of two statistical arbitrage funds, two distressed securities funds and one energy relative value fund) and redemptions were made from three hedge funds (consisting of two capital structure arbitrage funds and one merger arbitrage fund).

The following chart illustrates the hedge fund holdings by strategy as at March 31, 2006. 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 three-month period ended March 31, 2006 regarding elements of the risk profile of both the Trust and the Trust’s exposure to the Hedge Fund Portfolio held by the Fund.

<u>Trust Statistics</u>	<u>For the period from inception to March 31, 2006</u>
# of positive monthly returns	9
# of negative monthly returns	2
% of negative months	18.2%
Average size of negative months	-5.8%
Worst monthly return	-9.93%

Single Hedge Fund Statistics of the Fund

**For the three-month
period ended
March 31, 2006**

# of hedge funds with positive returns ⁽¹⁾	32
# of hedge funds with negative returns ⁽¹⁾	6
Average annual hedge fund standard deviation ⁽²⁾	3.51%
Average correlation between hedge funds ⁽³⁾	0.13%

Notes:

- (1) Measured for hedge funds in the Hedge Fund Portfolio of the Fund as at March 31, 2006.
- (2) As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio of the Fund as at March 31, 2006, excludes hedge funds with less than 24 months of historical return.
- (3) As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio of the Fund as at March 31, 2006, 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 March 31, 2006.

**For the three-month
period ended
March 31, 2006**

Trust Sector

Business trusts	\$ 47,265
Energy trusts	\$193,829
Power & pipeline trusts	\$122,672
Real estate investment trusts	\$285,707

The following table presents the return by investment strategy of the Hedge Fund Portfolio held by the Fund for the three-month period ended March 31, 2006.

**For the three-month
period ended
March 31, 2006**

Strategy

Activist	4.06%
Asset-backed securities arbitrage	2.86%
Capital structure arbitrage	2.25%
Convertible bond arbitrage	3.82%
Distressed securities	3.47%
Energy relative value	0.26%
Fixed-income arbitrage	3.75%
Merger arbitrage	8.03%
Mortgage-backed security arbitrage	2.34%
Multi-strategy	5.36%
Re-insurance	0.30%
Structured finance	2.76%
Statistical arbitrage	8.05%

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	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000
April 30, 2005	May 13, 2005	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000
May 31, 2005	June 15, 2005	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000
June 30, 2005	July 15, 2005	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000
July 31, 2005	August 15, 2005	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000
August 31, 2005	September 15, 2005	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000
September 30, 2005	October 14, 2005	Return of capital Other income Dividends Realized gain	\$0.04414 \$0.02382 \$0.00253 <u>\$0.00951</u> \$0.08000

<u>Record date</u>	<u>Date distribution paid</u>	<u>Character of distribution for tax purposes</u>	<u>Amount per unit</u>
October 31, 2005	November 15, 2005	Return of capital	\$0.04414
		Other income	\$0.02382
		Dividends	\$0.00253
		Realized gain	<u>\$0.00951</u>
			\$0.08000
November 30, 2005	December 15, 2005	Return of capital	\$0.04414
		Other income	\$0.02382
		Dividends	\$0.00253
		Realized gain	<u>\$0.00951</u>
			\$0.08000
December 31, 2005	January 13, 2006	Return of capital	\$0.04414
		Other income	\$0.02382
		Dividends	\$0.00253
		Realized gain	<u>\$0.00951</u>
			\$0.08000
January 31, 2006	February 15, 2006	To be determined	\$0.08000
February 28, 2006	March 15, 2006	To be determined	\$0.08000
March 31, 2006	April 13, 2006	To be determined	\$0.08000

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 seek to generate consistent returns in both normal and extreme markets, Northwater seeks to deliver 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 seeks to achieve 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 \$10.9 billion total, including CDN \$4.5 billion invested in hedge funds as at December 31, 2005. 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 launched Northwater Market-Neutral Trust, which was the first publicly-listed investment vehicle of its kind in Canada, to invest in a diversified portfolio of market-neutral hedge funds, in 1997. Northwater also advises Northwater Five-Year Market-Neutral Trust and Northwater Top 75 Income Trusts^{Plus}, two additional publicly-listed vehicles.

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TSE Symbol: NTP.UN

