

NORTHWATER

Northwater Top 75 Income Trusts^{Plus}
Summary of Investment Portfolio as at September 30, 2006
(Unaudited)

Financial Highlights (in CDN\$)	
Net asset value	\$24,143,338
Number of units outstanding	2,587,390
Net asset value per unit	\$9.33

Summary of Investment Portfolio⁽¹⁾

Income Trusts (in CDN\$)

The following table presents information regarding the income trust portfolio held by the Trust as at September 30, 2006.

Trust Sector	Asset allocation by trust sector			Largest individual income trust holding as a percentage of Net Assets of the Trust
	No. of Income Trusts	Fair Value		
Business trusts	25	\$7,544,270	32%	1.56%
Energy trusts	28	8,135,603	35%	1.53%
Power & pipeline trusts	9	2,966,725	13%	1.47%
Real estate investment trusts	13	4,803,174	20%	2.05%
	75	\$23,449,772	100%	

The following table lists the largest 25 income trusts by fair value held by the Trust as at September 30, 2006.

Top 25 Income Trust Investments	Type of Investment	Cost	Fair Value	Percentage of Net Assets of the Trust
Boardwalk Real Estate Investment Trust	Trust units	\$295,700	\$495,880	2.05%
Summit Real Estate Investment Trust	Trust units	269,319	414,637	1.72%
Canadian Apartment Properties REIT	Trust units	315,623	384,620	1.59%
Legacy Hotels Real Estate Investment Trust	Trust units	280,392	384,400	1.59%
CML Healthcare Income Fund	Trust units	319,257	377,645	1.56%
Calloway Real Estate Investment Trust	Trust units	265,446	376,326	1.56%
Newalta Income Fund	Trust units	277,194	375,921	1.56%
Riocan Real Estate Investment Trust	Trust units	290,420	372,155	1.54%
Baytex Energy Trust	Trust units	230,698	368,930	1.53%
Cominar Real Estate Investment Trust	Trust units	325,281	366,080	1.52%
H&R Real Estate Investment Trust	Trust units	305,177	364,980	1.51%
InnVest Real Estate Investment Trust	Trust units	339,565	364,255	1.51%
Canadian Real Estate Investment Trust	Trust units	257,547	363,120	1.50%
Provident Energy Trust	Trust units	338,906	358,050	1.48%
Pembina Pipeline Income Fund	Trust units	286,292	353,940	1.47%
TimberWest Forest Corp.	Trust units	379,060	347,212	1.44%
UE Waterheater Income Fund	Trust units	311,231	346,144	1.43%
ARC Energy Trust	Trust units	241,613	345,567	1.43%
Consumers' Waterheater Income Fund (The)	Trust units	343,501	343,830	1.42%
Penn West Energy Trust	Trust units	261,252	343,560	1.42%
BFI Canada Income Fund	Trust units	309,175	342,810	1.42%
Great Lakes Hydro Income Fund	Trust units	356,039	342,720	1.42%
Northland Power Income Fund	Trust units	322,172	341,486	1.41%
Inter Pipeline Fund	Trust units	308,447	338,944	1.40%
Vermilion Energy Trust	Trust units	232,324	338,355	1.40%

Hedge Funds (in U.S.\$)

The following table presents information regarding the Hedge Fund Portfolio to which the Trust has exposure through a forward purchase and sale agreement (“the Forward”) as at September 30, 2006. The multi-strategy funds have not been allocated to any of the underlying hedge fund strategies set out in this table.

Strategy	Asset allocation by hedge fund strategy			Largest individual hedge fund holding as a percentage of Net Assets of the Trust
	No. of Hedge Funds	Fair Value (in U.S. \$)		
Activist	1	\$707,237	3%	3.45%
Asset-backed securities arbitrage	4	2,986,657	13%	5.99%
Capital structure arbitrage	2	1,264,195	5%	3.59%
Convertible bond arbitrage	1	401,596	2%	1.96%
Distressed securities	5	3,050,172	14%	5.88%
Energy relative value	3	1,197,423	5%	2.17%
Fixed-income arbitrage	2	1,462,559	6%	4.36%
Merger arbitrage	1	577,219	3%	2.81%
Mortgage-backed security arbitrage	4	3,101,728	14%	5.29%
Multi-strategy	4	2,480,553	11%	4.47%
Re-insurance	2	1,343,505	6%	4.05%
Structured finance	5	3,106,396	14%	3.74%
Statistical arbitrage	2	908,244	4%	2.29%
	36	22,587,484	100%	

The following table lists the largest 25 hedge funds by fair value to which the Trust has exposure through the Forward as at September 30, 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 period-end. 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 are used consistently in its reporting by the Trust.

Top 25 Investments	Type of Investment	Cost (in U.S. \$)	Fair Value (in U.S. \$)	Percentage of Net Assets of the Trust
CRC Global Structured Credit Fund Ltd.*	Participating shares	\$1,012,286	\$1,229,545	5.99%
Satellite Overseas Fund VII Ltd*	Participating shares	1,004,865	1,206,113	5.88%
New Ellington Overseas Fund Ltd.*	Participating shares	1,000,000	1,085,330	5.29%
Fund 146*	Participating shares	800,000	916,970	4.47%
Fund 160*	Participating shares	800,000	901,772	4.40%
Fund 140*	Participating shares	800,000	894,642	4.36%
Fund 158*	Participating shares	963,876	831,096	4.05%
Fund 183*	Participating shares	700,000	796,513	3.88%
Fund 205*	Participating shares	700,000	766,873	3.74%
Fund 170*	Participating shares	701,184	736,940	3.59%
Fund 209*	Participating shares	600,000	707,237	3.45%
Fund 200*	Participating shares	600,000	684,716	3.34%
Fund 199*	Participating shares	600,000	668,892	3.26%
Fund 171*	Participating shares	557,607	641,531	3.13%
Fund 181*	Participating shares	500,000	577,219	2.81%
Fund 189*	Participating shares	500,000	571,589	2.79%
Fund 191*	Participating shares	500,000	567,916	2.77%
Fund 186*	Participating shares	500,000	566,112	2.76%
Fund 196*	Participating shares	500,000	558,803	2.72%
Fund 210*	Participating shares	500,000	545,714	2.66%
Fund 190*	Participating shares	500,000	543,035	2.65%
Fund 197*	Participating shares	500,000	527,254	2.57%
Fund 195*	Participating shares	499,927	512,408	2.50%
Fund 217*	Participating shares	500,000	500,149	2.44%
Fund 208*	Participating shares	500,000	498,550	2.43%

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

- (1) The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Trust. 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.

Common Stock

The Trust also holds 368,183 shares in Nortel Networks Corp. and 15,375 shares in Research in Motion Ltd. as at September 30, 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 3.89% and 7.30% as at September 30, 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.