NORTHWATER

Northwater Top 75 Income Trusts Plus
Report for the six-month period ended June 30, 2007
(unaudited)

BACKGROUND

Northwater Top 75 Income Trusts Plus (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario. Financial statements of the Trust, denominated in Canadian dollars, for the year ended June 30, 2007 are included in this report.

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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 generally the 75 largest income trusts listed on the Toronto Stock Exchange. The Trust also targets a 100% leveraged exposure to a fund of market-neutral hedge funds advised by Northwater Capital Management Inc. ("Northwater"). Units of the Trust trade on the Toronto Stock Exchange under the symbol NTP.UN. As at June 30, 2007, the net assets of the Trust per unit was $9.55. For the six-month period ended June 30, 2007, the return of the Trust was 14.27%. During the same time period, the S&P/TSX Capped Income Trust Index rose by 10.07%, the Scotia Capital Universe Bond Index decreased by 0.78%, the S&P/TSX Composite Index rose by 9.05% and the S&P 500 in U.S. dollar terms, rose by 6.96% which translates to a loss of 2.23% in Canadian dollar terms as the U.S. dollar weakened during the period. The Trust made distributions of $0.48 per unit during the period.

After posting a strong 3.3% growth in 2006, the U.S. economy slowed down markedly in the first quarter of 2007 with a growth rate of 0.7%. The continuing deterioration of the sub-prime market was of increasing concern to investors in the first half, and the asset-backed securities market took sizable losses in February as a result. However solid consumer spending and a stable unemployment rate pointed to a respectable growth rate in the second quarter. The Federal Open Market Committee held the Feds Fund rate at 5.25% during the first half of 2007, but cited inflation concerns. The U.S. dollar continued to decline in value relative to many of the major currencies. Against this backdrop, most equity markets provided respectable returns in the first half of this year.

The strong Canadian income trust market was the primary contributor to the overall return of the Trust for the first six months. The portfolio of market-neutral hedge funds managed by Northwater Fund Management, Inc. (the "Manager") to which the Trust has exposure, experienced positive returns over the first 6 months of the year, with all but one of the strategies contributing positively to the bottom line. The market environment was positive for activist and distressed securities investing as several individual equity and bond positions performed well. Despite the difficulties in sub-prime credit earlier in the year, the asset-backed and mortgage-backed securities funds in Northwater's portfolio generally performed well as some managers were able to generate returns from short sub-prime strategies. The upward trending equity market, stable credit spreads, and moderately increasing market volatility provided a good environment for many of

the underlying strategies in Multi-strategy funds as well as trading-oriented strategies such as statistical arbitrage and fixed income arbitrage. The event-driven strategy was the one laggard through June due to idiosyncratic events that caused certain core positions to decline.

Northwater continues to actively manage the composition of the Trust's hedge fund portfolio. During the six-month period ended June 30, 2007, six funds were removed for declining strategy returns and/or ineffective implementation. Northwater remains focused on improving the portfolio by refining its stable of managers and adding managers in market-neutral strategies that are expected to deliver strong risk-adjusted returns consistent with the investment objectives.

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

MARK P. SMITH, CFA
Vice-President,
Northwater Capital Management Inc.

August 20, 2007

MANAGEMENT REPORT OF FUND PERFORMANCE

This Management Report of Fund Performance contains financial highlights but does not contain the complete financial statements of Northwater Top 75 Income Trusts Plus (the "Trust"). A copy of the financial statements of the Trust for the year ended June 30, 2007 is attached to this report for your reference.

Security holders may contact us using one of the following methods and may, at no cost, request a copy of the Trust's proxy voting policies and procedures, proxy voting record, or quarterly portfolio disclosure. You may contact us, at no cost, by calling toll-free 1-888-429-8774 or by writing to us at Northwater Fund Management Inc., Suite 4700, BCE Place, Bay Wellington Tower, 181 Bay Street, P.O. Box 794, Toronto, Ontario, M5J 2T3. You may also visit our website at *www.northwatercapital.com* or the SEDAR website at *www.sedar.com*.

Northwater Top 75 Income Trusts Plus is managed by Northwater Fund Management Inc. (the "Manager"). The Manager is responsible for managing the business and administering the Trust pursuant to the provisions of the declaration of trust as well as for monitoring of 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 ensure 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.

All amounts noted throughout this report are in Canadian dollars unless otherwise indicated.

Adoption of New Accounting Standards

On April 1, 2005, the Canadian Institute of Chartered Accountants issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006.

In addition, Section 14.2 of National Instrument 81-106, issued by the Canadian Securities Administrators in 2005, requires the daily net asset value of an

investment fund to be calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). The adoption of Section 3855 results in the use of different valuation techniques for certain investments.

With respect to the implementation of Section 3855, the Canadian securities regulatory authorities have granted relief to investment funds from complying on an interim basis with Section 3855 for the purposes of calculating and reporting the purchase and redemption net asset value or the "Transaction NAV" of an investment fund for up to a one year period ending September 30, 2007. This relief is to permit further review of the suitability of this new pronouncement for the purpose of calculating the Transactional NAV. Depending on the outcome of this review by the Canadian Securities authorities, the method by which the net assets is calculated as governed by Section 3855 may result in a change to the Transactional NAV of an investment fund.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the net assets calculated in accordance with Section 3855 (the "GAAP NAV") of the investment fund is required in the notes to the financial statements.

The adoption of Section 3855 has resulted in a change in the method used to value the income trusts and common shares held by the Trust. The income trusts and common shares are valued at the bid price on the valuation date in the Trust's financial statements which prior to the implementation of Section 3855 were valued at the closing price on the valuation date.

Investment Objectives and Strategies

Investment Objectives

The investment objectives of the Trust are:

1. Monthly Distributions: to provide unitholders with monthly cash distributions consisting of the distributions received by the Trust on the income trust portfolio, plus an additional distribution of 3.5% per annum on the original issue price of the Units to be derived from the returns of the market-neutral hedge fund portfolio; and

2. Low Incremental Risk: to achieve an enhanced return from the Trust's combined exposure to the income trust portfolio and the market-neutral hedge fund portfolio with little incremental risk above the level of risk for the income trust portfolio alone.

Investment Strategies

The Trust has invested an amount equal to the net proceeds of the offering in an equally-weighted portfolio of the largest 75 income trusts listed on the Toronto Stock Exchange ranked by market capitalization. The portfolio of income trusts is rebalanced at least annually, to adjust for changes in the market value of securities, to add any new income trusts that at the time of rebalancing qualify for inclusion and to remove any income trusts that are no longer eligible for inclusion in the Trust's portfolio.

The Trust also has exposure to a portfolio of market-neutral hedge funds through a forward purchase and sale agreement (the "Forward") it has entered into with a Canadian bank (the "Counterparty") that has a long term credit rating of AA-. The Forward provides the Trust with exposure to the performance of the Enhancement Fund Limited (the "Fund"). In order to obtain this exposure, the Trust has invested a portion of the net proceeds of its offering in a portfolio of common shares of Canadian public companies ("Common Share Portfolio"), which has then been sold under the Forward to the Counterparty. Pursuant to the Forward, the Common Share Portfolio has been pledged to the Counterparty. The Trust's valuation is not affected by the change in the market value of the Common Share Portfolio as gains or losses are offset by the Forward. The Trust's return is based on its exposure, through the Forward to the "Fund" and through its direct investment, to the value of the income trusts.

The Fund holds a diversified portfolio of market-neutral hedge funds ("Hedge Fund Portfolio"). The target exposure to the Hedge Fund Portfolio is equal to 100% of the net assets of the Trust. The actual exposure as at June 30, 2007 was 95%. In establishing the Hedge Fund Portfolio "mix," the Investment Advisor seeks out strategies that have a low correlation with one another, thereby increasing the benefits of diversification and reducing expected volatility. There can be no assurance that the Trust's performance will exhibit strong risk-adjusted returns.

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 and the Fund. The Investment Advisor conducts all of its investment research in-house.

The investment processes and systems used to select, execute and monitor the income trust investments held by the Trust have been developed and used by the Investment Advisor for over 18 years in managing index funds and hedge fund investments for its institutional clients. The Investment Advisor has investment processes and systems designed to:

1. select the largest 75 income trusts by market capitalization listed on the Toronto Stock Exchange;
2. execute the purchase of the income trusts and properly account for the trades;
3. monitor and record distributions declared by the Trust's income trust investments;
4. monitor and record corporate actions declared by the Trust's income trust investments; and
5. identify, on an annual basis, the largest 75 income trusts on the Toronto Stock Exchange by market capitalization and re-balance the portfolio through the execution and recording of trade transactions.

The Investment Advisor does not manage and advise any client accounts in addition to the Trust that hold income trust investments.

The Investment Advisor has developed a proprietary selection process to enable it to advise the Fund with respect to the selection and monitoring of potential hedge fund investments to be made by the Hedge Fund Portfolio. 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 evolved 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 Hedge Fund Portfolio'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 Hedge Fund Portfolio.

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 plan.

7. the construction of a diversified model portfolio across 14 market-neutral strategies. This is a dynamic process.

8. a comprehensive due diligence process that typically must be completed before the Investment Advisor recommends an investment. This process 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 Hedge Fund Portfolio. 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 that hold hedge fund investments in addition to the Hedge Fund Portfolio. Client accounts with similar investment objectives are generally managed in a similar manner. Hedge fund investment allocation decisions are subject to client guidelines and

restrictions. Limited hedge fund investment opportunities will be allocated to client accounts in a manner that the Investment Advisor determines is equitable to clients in the circumstances.

The Trust has a revolving loan facility with a Canadian financial institution (the "Bank"). The amount of the loan facility allocated to assist the Trust in implementing its investment strategy will not exceed 10% of the total assets of the Trust determined at the time of borrowing. Additional borrowings under the loan facility may be made for working capital purposes, provided that the aggregate outstanding borrowings will not exceed 15% of the total assets of the Trust immediately after any such borrowing. If, at any time, the amount outstanding under the loan facility exceeds 20% of the total assets of the Trust at such time, the Trustee will cause the Trust to sell income trusts and use the proceeds from there to reduce indebtedness so that the amount borrowed by the Trust does not exceed 20% of its total assets. In the event of a default by the Trust under the loan facility, the loan facility provides that the Bank's recourse under the loan facility will be limited solely to the assets of the Trust.

The financial leverage employed by the Trust to make investments as at June 30, 2007 was 12.72% (December 31, 2006: 11.40%).

Risks

The following tables present information for the six-month period ended June 30, 2007 and for the six-month period ended, June 30, 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, which the Manager believes to be relevant.

Trust Statistics	For the period from inception to June 30, 2007	For the period from inception to June 30, 2006
# of positive monthly returns	19	12
# of negative monthly returns	10	5
% of negative months	34.5%	29%
Average size of negative months	-3.28%	-4.10%
Worst monthly return	-9.93%	-9.93%

Single Hedge Fund Statistics of the Fund	Six-month period ended June 30, 2007	Six-month period ended June 30, 2006
# of hedge funds with positive returns[1]	25	35
# of hedge funds with negative returns[1]	1	3
Average annual hedge fund standard deviation[2]	4.08%	3.47%
Average correlation between hedge funds[2]	0.12	0.13

(1) Measured for hedge funds in the Hedge Fund Portfolio as at June 30, 2007 and June 30, 2006 respectively.

(2) As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio as at June 30, 2007 and June 30, 2006 respectively, excludes hedge funds with less than 24 months of historical return.

No changes materially affecting the overall risk of investing in the Fund were made during the six-month period ended June 30, 2007. The risks of investing in the Trust remain as discussed in the Trust's prospectus. A copy of the prospectus of the Trust is available by visiting the SEDAR website at *www.sedar.com*.

Results of Operations

For the six-month period ended June 30, 2007, the Trust posted a return of 14.27% taking into account distributions made during the period. Distributions during the period totaled $1,210,667 or $0.48 per Unit.

During the six-month period ended June 30, 2007, all of the Trust's income trust sectors posted positive returns, not considering distributions received from the income trusts, (with the energy trusts sector posting the weakest results.) The S&P Capped Income Trust index posted a return inclusive of reinvested distributions of 10.07% during this period.

For the six-month period ended June 30, 2007, the Fund's return was 14.27% (USD return). The asset backed securities contributed most positively to hedge fund returns while the merger arbitrage were the weakest performers.

The Trust had borrowings in the amount of $2,572,518 as at June 30, 2007 through a revolving loan facility with a Canadian financial institution. The financial leverage as at June 30, 2007 was 12.72%. The Trust has employed the loan as leverage to enhance its investment returns.

The Trust purchased 63,400 Units under its repurchase and cancellation programs at a cost of $552,992 resulting in a contribution of 0.10% to the overall return of the Trust.

Units may be redeemed annually each year on June 30 commencing in 2006 provided that notice of such redemption is provided to the Manager at least 45 days prior to June 30 of such year. Notwithstanding the foregoing, the Trust is not required to redeem Units exceeding 15% of the number of outstanding Units as of each June 30 redemption date (the "Redemption Date"). Unitholders whose Units are redeemed will be entitled to receive a redemption price per Unit equal to the transactional net asset value per Unit on the Redemption Date and payable on or before the 30th Business Day following the relevant Redemption Date.

As of June 30, 2007, 900,902 Units were submitted for redemption. Since the number of Units submitted for redemption exceeded 15% of the number of outstanding Units as of the Redemption Date, the Units were redeemed on a pro rata basis. A total of 373,754 Units were redeemed at the June 30, 2007 transactional net asset value per Unit of $9.6132 for $3,592,972 cash paid on July 26, 2007.

Summary of Investment Portfolio [1]

Income Trusts

The Trust holds directly a broadly diversified portfolio of the largest 75 income trusts listed on the Toronto Stock Exchange ranked by market capitalization. A complete list of income trusts held by the Trust as at June 30, 2007 is set out in the Statement of Investment Portfolio. As at June 30, 2007, the Trust held 75 income trusts. Pursuant to the Trust's policy of rebalancing on an annual basis, the Trust will rebalance the income trust portfolio at least annually. The Trust rebalances the income trust portfolio so that, at the time of each rebalancing, the income trusts in the portfolio are equally-weighted and generally reflective of the largest 75 income trusts.

The following table presents the total realized and unrealized gains and losses by income trust sector for the six-month period ended June 30, 2007 and June 30, 2006

Trust Sector	Six-month period ended June 30, 2007	Six-month period ended June 30, 2006
Business trusts	1,345,124	$(563,605)
Energy trusts	143,296	44,065
Power & pipeline trusts	9,363	(120,341)
Real estate investment trusts	156,378	48,902

Asset Allocation by Trust Sector

The following table presents information regarding the income trust portfolio held by the Trust.

Income Trust Portfolio Exposure

	As at June 30, 2007			As at December 31, 2006		
Trust Sector	No. of Income Trusts	Fair Value		No. of Income Trusts	Fair Value	
Business trusts	28	$ 7,047,966	38%	26	$ 7,218,190	33%
Energy trusts	26	6,469,997	35%	28	7,067,295	33%
Power & pipeline trusts	7	1,745,607	9%	9	2,862,699	13%
Real estate investment trusts	14	3,435,769	18%	12	4,514,205	21%
	75	$18,699,339	100%	75	$21,662,389	100%

The following table presents the largest individual income trust holding for each trust sector as a percentage of the total net assets of the Trust as at June 30, 2007 and December 31, 2006.

Trust Sector	As at June 30, 2007	As at December 31, 2006
Business trusts	1.47%	1.63%
Energy trusts	1.28%	1.60%
Power & pipeline trusts	1.25%	1.77%
Real estate investment trusts	1.27%	2.39%

The following table lists the largest 25 income trusts by fair value held by the Trust as at June 30, 2007.

Top 25 Income Trust Investments	Type of Investment	Cost	Fair Value	Percentage of Net Assets
CCS Income Trust Units	Trust Units	$144,684	$297,245	1.47%
Newalta Income Fund Units	Trust Units	250,112	268,905	1.33%
Trans Force Income Fund Units	Trust Units	286,814	259,906	1.29%
Fording Canadian Coal Trust Units	Trust Units	248,950	259,000	1.28%
Canadian Oil Sands Trust Units	Trust Units	128,433	258,344	1.28%
H&R Real Estate Investment Trust Units	Trust Units	217,500	256,592	1.27%
Mullen Group Income Fund Units	Trust Units	347,574	256,278	1.27%
Keyera Facilities Income Fund Units	Trust Units	216,632	255,899	1.27%
TimberWest Forest Corp. Units	Trust Units	221,796	254,890	1.26%
Focus energy Trust Units	Trust Units	300,563	254,540	1.26%
Vermilion Energy Trust Units	Trust Units	161,013	253,399	1.25%
GMP Capital Trust Units	Trust Units	219,254	253,055	1.25%
Freehold Royalty Trust Units	Trust Units	307,452	252,700	1.25%
Advantage Energy Income Fund Units	Trust Units	300,198	252,655	1.25%
Pembina Pipeline Income Fund Units	Trust Units	224,348	252,651	1.25%
Penn West Energy Trust Units	Trust Units	222,017	252,192	1.25%
Baytex Energy Trust Units	Trust Units	174,695	252,042	1.25%
Algonquin Power Income Fund Units	Trust Units	298,614	252,000	1.25%
Calloway Real Estate Investment trust Units	Trust Units	195,328	251,591	1.24%
Aeroplan Income Fund	Trust Units	219,317	251,328	1.24%
Crescent Point Energy Trust Units	Trust Units	254,567	251,136	1.24%
Canadian Apartment Properties REIT Units	Trust Units	278,645	251,081	1.24%
Fort Chicago Energy Partners L.P. Units	Trust Units	288,091	250,800	1.24%
Alta Gas Income Trust Units	Trust Units	246,710	250,767	1.24%
Yellow Pages Income Fund Units	Trust Units	251,992	250,603	1.24%

Hedge Funds

The Trust has obtained exposure to a portfolio of market-neutral hedge funds (previously referred to as the Hedge Fund Portfolio) through the Forward. The Hedge Fund Portfolio emphasizes sectors of the capital markets that 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 to

which the Trust has exposure have been established in offshore jurisdictions and prepare annual audited financial statements, in accordance with U.S. or International generally accepted accounting principles (GAAP).

During the period, the Fund placed investments with no new hedge funds . The Fund redeemed from six hedge funds during the period (consisting of one capital structure arbitrage fund, two Energy relative value funds, two Structured finance funds and one Multi strategy fund (six month period ended June 30, 2006: the Fund placed investments with five new hedge funds and redeemed from six hedge funds).

The following table presents the USD return by investment strategy of the Hedge Fund Portfolio held by the Fund for the six-month period ended June 30, 2007 and June 30, 2006.

Strategy	Six-month period ended June 30, 2007	Six-month period ended June 30, 2006
Activist	10.49%	8.54%
Asset-backed securities arbitrage	11.74%	5.76%
Capital structure arbitrage	—	2.82%
Convertible bond arbitrage	—	4.78%
Distressed securities	11.28%	6.70%
Energy relative value	—	2.62%
Fixed-income arbitrage	3.06%	5.61%
Merger arbitrage	-4.70%	4.21%
Mortgage-backed security arbitrage	6.57%	5.26%
Multi-strategy	8.55%	4.99%
Re-insurance	6.58%	1.95%
Structured finance	4.87%	5.10%
Statistical arbitrage	4.87%	11.05%

As at June 30, 2007, the Hedge Fund Portfolio included investments in 26 hedge funds with 25 managers engaged in 10 market-neutral or hedged investment strategies. The Investment Advisor believes that this wide array of hedge fund investments has created broad diversification through which the Fund seeks to achieve its risk/return objectives and market-neutrality.

Asset Allocation by Hedge Fund Investment Strategy

The following table presents information regarding the Hedge Fund Portfolio held by the Fund to which the Trust has exposure through the Forward. The multi-strategy funds have not been allocated to any of the underlying hedge fund strategies set out in this table.

Hedge Fund Portfolio Exposure

	As at June 30, 2007			As at December 31, 2006		
Strategy	**No. of Hedge Funds**	**Fair Value (in U.S. Dollars)**		**No. of Hedge Funds**	**Fair Value (in U.S. dollars)**	
Activist investments	1	$ 857,617	5%	1	$ 776,206	4%
Asset-backed securities arbitrage	3	2,310,154	13%	3	2,644,901	13%
Capital structure arbitrage	—	—	—	1	383,551	2%
Distressed securities	5	2,878,037	16%	5	3,258,875	15%
Energy relative value	—	—	—	2	715,775	3%
Fixed-income arbitrage	2	1,529,501	8%	2	1,484,116	7%
Merger arbitrage	1	563,642	3%	1	591,458	3%
Mortgage-backed security arbitrage	4	2,965,150	16%	4	3,167,892	15%
Multi-strategy	3	2,454,391	14%	4	2,518,163	12%
Re-insurance	2	1,469,289	8%	2	1,390,180	7%
Structured finance	2	2,172,309	12%	5	3,220,665	15%
Statistical arbitrage	3	948,631	5%	2	904,590	4%
	26	$18,148,721	100%	32	$21,056,372	100%

The following charts illustrate the hedge fund holdings by strategy of the Fund as at June 30, 2007 and December 31, 2006. The Fund's multi-strategy hedge funds have been allocated to the various hedge fund strategies to reflect their exposure to their constituent strategies. Strategy weights are dynamic and may change from period to period.

The following table presents the largest individual hedge fund holding for each investment strategy of the Fund as a percentage of the total net assets of the Trust as at June 30, 2007 and December 31, 2006.

Strategy	As at June 30, 2007	As at December 31, 2006
Activist	4.51%	4.00%
Asset-backed securities arbitrage	4.80%	6.58%
Capital structure arbitrage	—	1.98%
Distressed securities	3.57%	6.71%
Energy relative value	—	2.39%
Fixed-income arbitrage	4.92%	4.65%
Merger arbitrage	2.96%	3.05%
Mortgage-backed security arbitrage	6.07%	5.69%
Multi-strategy	5.29%	4.90%
Re-insurance	4.65%	4.41%
Structured finance	4.43%	4.11%
Statistical arbitrage	2.72%	2.51%

The following table lists the largest 25 hedge funds by fair value to which the Trust has exposure through the Forward as at June 30, 2007. 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
New Ellington Overseas Fund Ltd	Participating shares	1,000,000	1,155,513	6.07%
Tempo Fund Ltd	Participating shares	800,000	1,006,828	5.29%
Shephard Investments International Ltd.	Participating shares	700,000	950,562	5.00%
Fund 140*	Participating shares	800,000	937,189	4.92%
Fund 200*	Participating shares	600,000	913,311	4.80%
Fund 131*	Participating shares	965,055	885,533	4.65%
Fund 209*	Participating shares	600,000	857,617	4.51%
Fund 205*	Participating shares	700,000	843,837	4.43%
Fund 169*	Participating shares	542,401	741,374	3.90%
Fund 199*	Participating shares	600,000	717,142	3.77%
Fund 217*	Participating shares	500,000	679,483	3.57%
Fund 189*	Participating shares	500,000	672,791	3.54%
Fund 101*	Participating shares	479,552	670,947	3.53%
Fund 171*	Participating shares	557,607	655,469	3.44%
Fund 196*	Participating shares	500,000	611,330	3.21%
Fund 191*	Participating shares	500,000	592,312	3.11%
Fund 190*	Participating shares	500,000	590,664	3.10%
Fund 195*	Participating shares	498,749	583,756	3.07%
Fund 181*	Participating shares	500,000	563,642	2.96%
Fund 208*	Participating shares	500,000	552,576	2.90%
Fund 160*	Participating shares	463,998	546,182	2.87%
Fund 213*	Participating shares	400,000	517,960	2.72%
Fund 214*	Participating shares	400,000	512,565	2.69%
Fund 116*	Participating shares	351,179	497,000	2.61%
Fund 204*	Participating shares	400,000	462,466	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.

The Trust also holds 31,298 shares in Nortel Networks Corp. and 13,065 shares in Research in Motion Ltd. as at June 30, 2007. 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 3.38% and 11.76% as at June 30, 2007, 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 the Fund.

Financial Highlights

The following tables show selected key financial information about the Trust and are intended to assist in understanding the Trust's financial performance for the six-month period ended June 30, 2007 and the year ended December 31, 2006.

The Trust's Net Assets per Unit

	For the six-month period ended June 30, 2007	For Year ended December 31, 2006	February 25, to December 31, 2005
Net Assets, beginning of period	$ 8.85	$ 9.77	$ 9.325
Opening adjustment from closing traded prices to bid market prices (note 2)	(0.03)	—	—
Increase (decrease) from operations:			
Total revenue	0.39	0.87	0.70
Total expenses	(0.14)	(0.23)	(0.16)
Realized gains for the period	0.28	0.32	0.07
Unrealized gains (losses) for the period	0.70	(0.90)	1.74
Total increase from operations (1)	1.24	0.06	1.23
Distributions:			
From income (excluding dividends)		$0.24650	$0.23814
From dividends		0.02972	0.02530
From capital gains		0.45015	0.09514
Return of capital		0.23363	0.44142
Total Distributions in the period (2)	$ 0.48	$0.96000	0.80000
Net Assets, at end of period	$ 9.55	$ 8.85	$ 9.77

(1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions were paid in cash. For the six-month period ended June 30, 2007 the nature of the distribution will be determined at the end of the year.

(3) It is not intended that the Trust's Net Assets per Unit table act as a continuity of opening and closing net assets per unit.

Ratios and Supplemental Data

	For the six-month period ended June 30, 2007	For Year ended December 31, 2006	February 25, 2005 to December 31, 2005
Net Asset Value (000's) [1]	$ 20,219	$ 22,600	$ 31,038
Number of units outstanding [1]	2,117,936	2,555,090	3,177,200
Management expense ratio [2]	7.41%	7.15%	14.63%
Management expense ratio before waivers or absorptions	7.41%	7.15%	14.63%
Portfolio turnover rate [3]	34.35%	28.12%	15.23%
Trading expense ratio [4]	0.08%	0.13%	0.33%
Closing market price end of period	$ 8.60	$ 7.91	$ 8.55

(1) This information is provided as at June 30, 2007 and December 31, 2006.

(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of month-end average net assets during the period. Please note that the management expense ratio includes not only the expenses of the Trust and Fund but also reflects an estimate of expenses to which the underlying hedge funds were subject. The expense ratio of the underlying hedge funds held by the Fund plus the expenses of the Fund included in the above ratios for the six-month period ended June 30, 2007 added 4.47% and the year ended December 31, 2006 added 4.76% to the expense ratio of the Trust (December 31,2005: 5.85%). This annualized expense ratio has been calculated using the total expenses of the underlying hedge funds, invested in by the Fund, per their annual audited financial statements for the periods ended December 31, 2005 and December 31, 2004, respectively. These statements represent the most recent audited information available. The expenses together with estimates for hedge funds with year-ends other than December 31 have been prorated based on the relative percentage of the hedge fund held by the Fund at the end of the respective period. Performance fees incurred by the underlying hedge funds can vary significantly from period to period based on such factors as the market conditions, fund strategy and manager performance. As a result, the expense ratios of the underlying funds for the prior year, may be significantly different than the actual expenses incurred by these underlying hedge funds for the current period. Included in the management expense ratios for the period ended December 31, 2005 are agents' fees and issue costs that have increased the ratio by 5.25% and 1.50%, respectively. These costs are one-time expenses associated with the offering of the Trust to the public.

(3) The Trust's portfolio turnover rate indicates how actively the Trust's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Trust buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of monthly average net asset value during the period.

Past Performance

General

With respect to the following information in the "Past Performance" section of this report, please note the following:

(a) the performance information shown assumes that all distributions made by the Trust in the periods shown were reinvested in additional securities of the Trust;

(b) the performance information does not take into account sales, redemptions or other optional charges that would have reduced returns or performance; and

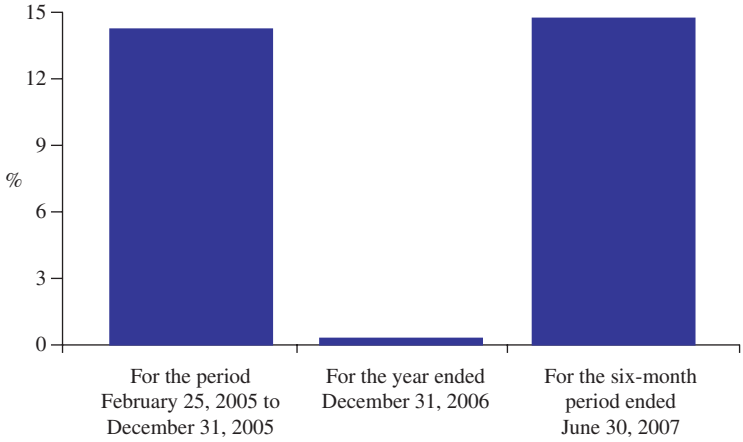
(c) how the Trust has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

With respect to the following chart, please note the following:

(a) the bar chart shows the investment fund's performance for each of the periods shown, and illustrates how the investment fund's performance has changed from period to period; and

(b) the bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



Management Fees and Related Party Transactions

The Manager is responsible for the day-to-day administration, portfolio management and unitholder services of the Trust. In exchange for these services, the Manager is entitled to an annual fee of 0.25% of the net assets of the Trust, calculated based on the transactional net assets value of the Trust as of the close of business on each month-end valuation date. The fee is paid monthly in arrears.

A service fee of 0.40% per annum of the transactional net asset value of the Trust, is payable to the Manager calculated as of the close of business on each quarter-end valuation date. The service fee was paid by the Manager to registered dealers and brokers for services they provide to unitholders, including investment advice and account statements, based on the number of units held by clients of such dealers at the end of the relevant quarter. The service fee is accrued monthly and calculated and paid quarterly in arrears.

During the six-month period ended June 30, 2007, the management fee and service fee expense were $31,331 and $50,026 respectively, and the management fee and service fee payable by the Trust as at June 30, 2007 were $16,053 and $16,181 respectively.

Other Fees

The Trust pays to the Counterparty of the Forward a financing fee of approximately 0.60% per annum of the book value of the Fund plus a fee that may vary based on the market value of the Common Share Portfolio, calculated and paid monthly in arrears.

Net Assets and Price Per Unit

The value of both the income trust portfolio and the Hedge Fund Portfolio is affected by factors beyond the control of the Investment Advisor, the Manager, the Trust, or the Fund.

Income trust investments that are listed on a public securities exchange are valued at their closing sale price. The process of valuing income trust investments for which no published market price exists is based upon the average of the closing bid and ask or the latest available sale price.

The process of valuing hedge fund investments for which no published market price exists is based upon the definitive or provisional transactional net asset value of the hedge funds supplied by the 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 transactional net asset value per unit is calculated and reported monthly. During the six-month period ended June 30, 2007, the transactional net asset value of the Trust fluctuated between $9.00 per unit and $9.85 per unit (six-month period ended June 30, 2006: low of $9.62 and a high of $10.21), after taking into account distributions.

The market price for units of the Trust is determined by the actions of buyers and sellers in the market. During the six-month period ended June 30, 2007, the daily closing price of the units fluctuated between $7.57 and $9.25 (the six-month period ended June 30, 2006: low of $8.08 and a high of $9.50).

Distributions

During the six-month period ended June 30, 2007, the Trust made distributions totaling $0.48 per unit $1,210,667 was distributed in aggregate) compared to $0.48 per unit ($1,477,225 in aggregate) during six-month period ended June 30, 2006.

The Trust is 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 change in the foreign property rule for pension funds and other tax deferred retirement plans has had no impact on the character of taxable distributions made by the Trust.

The character of the monthly distributions for tax purposes has been determined at 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, 2005	April 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
April 30, 2005	May 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
May 31, 2005	June 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
June 30, 2005	July 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
July 31, 2005	August 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
August 31, 2005	September 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
September 30, 2005	October 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
October 31, 2005	November 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000

Record date	Date distribution paid	Character of distribution for tax purposes	Amount per unit
November 30, 2005	December 15, 2005	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
December 31, 2005	January 13, 2006	Return of capital	$0.04414
		Other income	$0.02382
		Dividends	$0.00253
		Realized gain	$0.00951
			$0.08000
January 31, 2006	February 15, 2006	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000
February 28, 2006	March 15, 2006	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000
March 31, 2006	April 15, 2006	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000
April 30, 2006	May 15, 2006	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000
May 31, 2006	June 15, 2006	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000
June 30, 2006	July 14, 2006	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000

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		Realized gain	$0.03751
			$0.08000
December 31, 2006	January 15, 2007	Return of capital	$0.01947
		Other income	$0.02054
		Dividends	$0.00248
		Realized gain	$0.03751
			$0.08000
January 31, 2007	February 15, 2007	To be determined	$0.08000
February 28, 2007	March 15, 2007	To be determined	$0.08000
March 31, 2007	April 13, 2007	To be determined	$0.08000
April 30, 2007	May 15, 2007	To be determined	$0.08000
May 30, 2007	June 15, 2007	To be determined	$0.08000
June 30, 2007	July 13, 2007	To be determined	$0.08000

Purchases for Cancellation

Under its declaration of trust, the Trust is required to make purchases of units of up to 1.25% of the outstanding units per quarter if the price at which the units

are offered for sale is less than 95.0% of the current transactional net asset value per unit as at the close of business on the preceding valuation date.

On August 21, 2006, the Trust filed a notice of intention to make normal-course purchases of its units with the Toronto Stock Exchange (the "Exchange"). In its filing with the Exchange, the Trust indicated an intention to purchase up to 258,536 of the units of the Trust during the period from August 30, 2006 to August 29, 2007, 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 six-month period ended June 30, 2007, the Trust purchased 63,400 units for cancellation under these programs at a cost of $552,992. (for the year-ended December 31, 2006: 158,700 units)

Redemptions

Units may also be redeemed by the unitholders annually each year on June 30 commencing in 2006 provided that notice of such redemption is provided to the Manager at least 45 days prior to June 30 of such year. Units will be redeemed only on June 30 of each year (the "Redemption Date"), subject to the Trust's right to suspend redemptions in certain circumstances. Unitholders whose units are redeemed will be entitled to receive a redemption price per unit equal to the transactional net asset value per unit on the Redemption Date and payable on or before the 30th business day following the relevant Redemption Date (the "Redemption Payment Date"). Any unpaid distribution payable to unitholders of record on or before the Redemption Date in respect of units tendered for redemption will also be paid on the Redemption Payment Date. Notwithstanding the foregoing, the Trust shall not be required to redeem on any Redemption Date units exceeding 15% of the number of outstanding units as of such Redemption Date. If units submitted for redemption on any Redemption Date exceed 15% of the number of outstanding units as of such Redemption Date and the Trust does not elect to redeem all units submitted for redemption, the units shall be redeemed on a pro rata basis.

As of June 30, 2007, 900,902 Units were submitted for redemption. Since the number of Units submitted for redemption exceeded 15% of the number of outstanding Units as of the Redemption Date, the Units were redeemed on a pro rata basis. A total of 373,754 Units were redeemed at the June 30, 2007 transactional net asset value per Unit of $9.6132 for $3,592,972 cash paid on July 26, 2007.

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 consolidated financial statements and other sections of the Semi-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.

BENITA M. WARMBOLD, CA
Managing Director and Chief Financial Officer

Northwater Fund Management Inc.

SHAUNA CASSIDY, CFA
Vice-President

Northwater Fund Management Inc.

August 20, 2007

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Statements of Net Assets (unaudited)

	As at June 30, 2007	As at December 31, 2006
Assets		
Cash and short-term investments	$ 1,036,364	$ 135,404
Income trusts – at fair value (note 3) (cost: 2007: $18,827,978; 2006: $22,998,484)	18,699,339	21,662,389
Common shares – at fair value (cost: 2007: $2,201,724; 2006: $2,590,524)	3,587,107	3,442,542
Distribution receivable	178,975	196,837
Income trusts – sale receivable	3,449,505	—
Unrealized gain on forward contract (note 6)	—	11,647
	26,951,290	25,448,819
Liabilities		
Audit, legal and custody fees payable	26,705	26,604
Service fees payable (note 4)	16,181	24,181
Management and advisory fees payable (note 4)	16,053	15,365
Unrealized gain on forward contract (note 6)	56,174	—
Settlement payable on currency futures (note 5)	3,177	1,981
Due to broker	249,017	—
Distribution payable (note 7)	199,335	204,407
Loan payable (note 8)	2,572,518	2,576,252
Redemption Payable	3,592,972	—
	6,732,132	2,848,790
Net assets	$20,219,158	$22,600,029
Net assets and unitholders' equity (note 9)		
Unit capital	$19,749,754	$23,826,214
Retained earnings (deficit)	469,404	(1,226,185)
Total	$20,219,158	$22,600,029
Number of units outstanding (note 9)	2,117,936	2,555,090
Net assets per unit	$ 9.55	$ 8.85

Signed on behalf of the Trustee,

Per:

Per:

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

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Statements of Operations (unaudited)

	For the six-month period ended June 30, 2007	For the six-month period ended June 30, 2006 (Restated – Note 2)
Investment income		
Distributions	$ 959,232	$ 1,388,397
Interest	1,070	1,732
	960,302	1,390,129
Expenses		
Service fees (note 4)	50,026	103,527
Forward fees (note 4)	77,468	65,485
Management fees (note 4)	31,331	74,834
Audit fees	52,785	17,446
Advisory fees (note 4)	6,527	5,074
Custodian fees	2,486	2,495
Legal fees	12,059	(1,755)
Security holder reporting costs	37,140	48,486
Administrative fees	5,291	4,198
Loan interest	63,772	77,978
Transaction costs	10,240	60
	349,125	397,828
Net investment income	611,177	992,301
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on:		
Income trusts	368,701	513,006
Common shares	206,507	14,465
Currency futures (note 5)	105,878	(3,467)
Change in unrealized appreciation (depreciation) on:		
Income trusts	1,285,460	(1,103,985)
Common shares	537,782	(360,112)
Forward contract	(67,821)	895,900
Currency futures (note 5)	1,197	1,116
Realized and unrealized gain (loss) on investments for the period	2,437,704	(43,077)
Increase in net assets from operations for the period	$3,048,881	$ 949,224
Increase in net assets from operations per unit for the period*	$ 1.24	$ 0.30

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

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

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Statements of Changes in Net Assets (unaudited)

	For the six-month period ended June 30, 2007	For the six-month period ended June 30, 2006 (Restated – Note 2)
Net assets – beginning of the period	$22,600,029	$31,038,539
Opening adjustment from closing traded prices to bid market prices (Note 2)	(73,121)	—
Increase in net assets from operations for the period	3,048,881	949,224
Unit transactions (note 9)		
Net assets of units repurchased and cancelled	(552,992)	(801,165)
Net assets of units redeemed	(3,592,972)	(4,456,428)
	(4,145,964)	(5,257,593)
Distribution to unitholders (note 7)	(1,210,667)	(1,477,225)
Net assets – end of the period	$20,219,158	$25,252,945

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

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Statements of Cash Flows (unaudited)

	For the six-month period ended June 30, 2007	For the six-month period ended June 30, 2006 (Restated – Note 2)
Cash flows from operating activities		
Increase in net assets from operations	$ 3,048,881	$ 949,224
Items not affecting cash:		
Change in unrealized depreciation (appreciation) on income trusts	(1,285,460)	1,103,985
Change in unrealized depreciation (appreciation) on common shares	(537,782)	360,112
Change in unrealized depreciation (appreciation) on forward contract	67,821	(636,131)
Change in unrealized depreciation (appreciation) on future contract	1,196	—
Realized loss (gain) on income trusts	(368,701)	(513,006)
Realized loss (gain) on common shares	(206,507)	(14,465)
Changes in non-cash working capital:		
Change in payables	3,585,761	4,226,968
Change in receivables	17,862	(32,024)
Purchase of income trusts	(3,695,250)	(7,641,985)
Proceeds on sale of income trusts	5,043,268	9,607,372
Proceeds on sale of common shares	595,307	454,428
	6,266,396	7,864,478
Cash flows from financing activities		
Advance on (repayment of) loan	(3,734)	757
Repurchase of trust units	(552,992)	(801,165)
Distributions paid to trust unitholders	(1,215,738)	(1,484,249)
Redemption of trust units	(3,592,972)	(4,456,428)
	(5,365,436)	(6,741,085)
Net increase (decrease) in cash and short-term investments	900,960	1,121,393
Cash and short-term investments at the beginning of the period	135,404	127,163
Cash and short-term investments at the end of the period	$ 1,036,364	$1,248,556
Supplementary information:		
Interest paid	$ 60,038	$ 84,004

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

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Statement of Investment Portfolio (unaudited)
As at June 30, 2007

	No. of Shares / Units	Cost	Fair Value	Percentage of total Investments
Income trust portfolio				
Advantage Energy Income Fund	16,900	$300,198	$252,655	1.08%
Aeroplan Income Fund	11,900	219,317	251,328	1.08%
Algonquin Power Income Fund	28,800	298,614	252,000	1.08%
AltaGas Income Trust	9,900	246,710	250,767	1.08%
ARC Energy Trust	11,300	216,143	244,645	1.05%
Baytex Energy Trust	11,900	174,695	252,042	1.08%
Bell Aliant Regional Communications Income Fund	7,900	221,121	247,665	1.06%
BFI Canada Income Fund	8,800	233,802	247,016	1.06%
Boardwalk Real Estate Investment Trust	5,200	100,388	250,276	1.07%
Bonavista Energy Trust	8,100	249,156	246,402	1.06%
Calloway Real Estate Investment Trust	10,100	195,328	251,591	1.08%
Canadian Apartment Properties REIT	12,929	195,102	247,680	1.06%
Canadian Hotel Income Ppty REIT	16,000	278,645	251,081	1.08%
Canadian Oil Sands Trust	7,850	128,433	258,344	1.11%
Canadian Real Estate Investment Trust	8,300	158,031	241,447	1.04%
Canetic Resources Trust	14,512	299,396	250,187	1.07%
CCS Income Trust	6,500	144,684	297,245	1.27%
Chartwell Seniors Housing REIT	16,600	243,503	248,004	1.06%
CI Financial Income Fund	9,200	230,460	248,860	1.07%
Cinplex Galaxy Income Fund	14,200	249,017	248,500	1.07%
Cinram International Income	9,300	239,089	247,194	1.06%
CML Healthcare Income Fund	16,300	222,642	247,108	1.06%
Cominar Real Estate Investment Trust	10,700	198,827	229,408	0.98%
Connors Bros. Income Fund	22,100	257,797	248,183	1.06%
Consumers' Waterheater Income Fund (The)	14,400	227,087	238,320	1.02%
Crescent Point Energy Trust	12,800	254,567	251,136	1.08%
Davis + Henderson Income Fund	12,800	268,198	246,400	1.06%
Daylight Energy Trust	23,201	330,318	236,186	1.01%
Dundee Real Estate Investment Trust	5,500	218,185	247,940	1.06%
Energy Savings Income Fund	16,400	264,919	249,444	1.07%
Enerplus Resources Fund	5,000	233,329	249,200	1.07%
Epcor Power LP	9,500	336,566	248,900	1.07%
Extendicare Real Estate Investment Trust	15,800	290,044	245,532	1.05%
Focus Energy Trust	14,300	300,563	254,540	1.09%
Fording Canadian Coal Trust	7,400	248,950	259,000	1.11%
Fort Chicago Energy Partners L.P.	24,000	288,091	250,800	1.08%
Freehold Royalty Trust	17,500	307,452	252,700	1.08%
Gaz Metro Limited Partnership	14,700	327,185	247,842	1.06%
GMP Capital Trust	10,700	219,254	253,055	1.09%
Great Lakes Hydro Income Fund	12,000	238,645	245,280	1.05%
H&R Real Estate Investment Trust	11,200	217,500	256,592	1.10%
Harvest Energy Trust	7,547	228,818	248,145	1.06%

Statement of Investment Portfolio (unaudited)
As at June 30, 2007

	No. of Shares / Units	Cost	Fair Value	Percentage of total Investments
InnVest Real Estate Investment Trust	19,400	239,106	234,740	1.01%
Inter Pipeline Fund	26,700	250,156	248,310	1.06%
Keyera Facilities Income Fund	13,900	216,632	255,899	1.10%
Labrador Iron Ore Royalty Income Fund	7,500	203,301	246,900	1.06%
Legacy Hotels Real Estate Investment Trust	20,600	145,184	245,140	1.05%
Livingston International Income Fund	12,300	313,814	249,075	1.07%
Morguard Real Estate Investment Trust	17,800	275,695	241,368	1.03%
Mullen Group Income Fund	12,100	347,574	256,278	1.10%
NAL Oil & Gas Trust	19,400	270,868	243,082	1.04%
Newalta Income Fund	10,500	250,112	268,905	1.15%
North West Company Fund	13,100	215,119	247,066	1.06%
Northland Power Income Fund	18,800	269,454	248,724	1.07%
Paramount Energy Trust	21,200	337,006	246,132	1.06%
Pembina Pipeline Income Fund	15,900	224,348	252,651	1.08%
Pengrowth Energy Trust—Class B Trust Unit	12,375	384,594	249,975	1.07%
Penn West Energy Trust	7,100	222,017	252,192	1.08%
Peyto Energy Trust	13,700	331,435	248,929	1.07%
Precision Drilling Trust	9,300	315,188	241,800	1.04%
Primaris Retail Real Estate Investment Trust	12,700	175,089	243,332	1.04%
PrimeWest Energy Trust	11,200	316,710	249,760	1.07%
Progress Energy Trust	18,800	261,183	240,264	1.03%
Provident Energy Trust	19,700	244,095	246,644	1.06%
Riocan Real Estate Investment Trust	10,500	197,802	247,170	1.06%
Shiningbank Energy Income Fund	18,200	357,789	248,976	1.07%
Superior Plus Income Fund	15,900	354,990	246,927	1.06%
Teranet Income Fund	25,000	245,478	248,500	1.07%
TimberWest Forest Corp.	14,200	221,796	254,890	1.09%
TransForce Income Fund	17,420	286,814	259,906	1.11%
Trilogy Energy Trust	25,900	424,392	247,863	1.06%
Trinidad Energy Services Income Trust	16,400	179,810	245,344	1.05%
Vermilion Energy Trust	7,100	161,013	253,399	1.09%
Westshore Terminals Income Fund	17,800	236,659	247,954	1.06%
Yellow Pages Income Fund	18,055	251,997	250,604	1.67%
		18,827,967	18,699,339	80.18%
Common share portfolio				
Nortel Networks Corp [1]	31,298	1,101,067	800,603	3.43%
Research In Motion Ltd [1]	13,065	1,100,657	2,786,504	11.95%
		2,201,724	3,587,107	15.38%
Transaction costs (note 2)		(9,300)		
Cash		1,036,364	1,036,364	4.44%
Total investments		$22,056,765	$23,322,810	100.00%
Other net assets			(3,103,652)	
Total net assets and unitholder' equity			$20,219,158	

[1] Securities pledged as part of the forward agreement to the counterparty (note 6).

Schedule 1—Currency futures contracts:

	Bid Price	Notional contract Value	Settlement payable on futures contracts
13 Canadian Dollar Futures	U.S.$94.26	U.S.$1,225,380	
Contracts – September 2007		CDN $1,300,000	(CDN $3,177)

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

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Notes to Financial Statements
For the six-month period ended June 30, 2007 with comparative figures for the six-month period ended June 30, 2006

1. Establishment and Operations of the Trust

The Northwater Top 75 Income Trusts Plus (the "Trust") is a closed-end investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust made as of February 15, 2005. Northwater Fund Management Inc. acts as Trustee of the Trust and the RBC Dexia Investor Services Trust ("RBC Dexia") acts as Custodian for the Trust. The Trust began operations on February 25, 2005. The Trust's units are listed on the Toronto Stock Exchange under the symbol NTP.UN. The Trust will terminate on or about December 31, 2011 (the "Termination Date"), 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 assets of the Trust, invested in cash, short-term investments, currency futures contracts, income trusts and common shares ("Common Share Portfolio") are combined with a forward contract (the "Forward") to provide unitholders with returns of a diversified portfolio of income trusts plus the return of a diversified portfolio of market-neutral hedge funds.

2. Summary of Significant Accounting Policies

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

Adoption of new accounting standards

(i) AcG-15 – Consolidation of Variable Interest Entities

Effective February 23, 2007 the Accounting Standards Board amended AcG-15, Consolidation of Variable Interest Entities and AcG-18, Investment Companies to exclude investment companies from the requirement to consolidate variable interest entities. The Amendment is effective for fiscal periods ending on or after September 30, 2007 with earlier adoption encouraged.

The Trust has adopted this amendment and the June 30, 2007 financial statements have been prepared in accordance with the revised standard.

The Trust has accounted for this change on a retroactive basis with restatement of the prior periods. As a result the accounts of Enhancement Fund Limited, have not been consolidated in these financial statements. The Trust does not have an ownership interest in the Fund and continues to be exposed to the majority of the economic risk and benefits of the Fund through the Forward.

(ii) Section 3855 – Financial Instruments – Recognition and Measurement

On April 1, 2005, the Canadian Institute of Chartered Accountants issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006.

In addition, Section 14.2 of National Instrument 81-106, issued by the Canadian Securities Administrators in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian generally accepted accounting principles ("GAAP").

With respect to the implementation of Section 3855, the Canadian securities regulatory authorities have granted relief to investment funds from complying on an interim basis with Section 3855 for the purposes of calculating and reporting the purchase and redemption net asset value or the "Transaction NAV" of an investment fund for up to a one year period ending September 30, 2007. This relief is to permit further review of the suitability of this new pronouncement for the purpose of calculating the Transactional NAV. Depending on the outcome of this review by the Canadian Securities authorities, the method by which the net assets is calculated as governed by Section 3855 may result in a change to the Transactional NAV of an investment fund.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the net asset value calculated in accordance with Section 3855 of the investment fund is required in the notes to the financial statements.

The provisions of this new standard have been applied prospectively (no restatement of prior periods). Accordingly, the opening net assets have been adjusted to reflect the provisions of the new handbook section.

The following paragraphs outline the accounting policies of the Fund after the adoption of Section 3855:

(a) Cash

Cash consists of cash in interest bearing accounts. Interest income is accrued on a monthly basis.

(b) Investments

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

The income trusts and common shares listed on a public securities exchange are valued at their bid price on each Valuation Date. Income trusts and common shares not traded on that date are valued at the average of the closing bid and ask or the latest available sale price. Realized gains and losses are calculated using the average cost. Distribution income is recorded on ex-dividend date or ex-distribution date on a gross basis. The adoption of Section 3855 has resulted in a change in the valuation of the income trusts common shares in the Trust's financial statements which prior to Section 3855 were valued at the closing price on the valuation date.

The value of the forward contract is the gain or loss, if any, that would be realized if, on the Valuation Date, the forward contract was "closed out". The difference between fair value and cost is shown as an unrealized gain or loss on investments. The value of the forward contract is based on the change in valuation of Enhancement Fund Limited, which invests in a diversified portfolio of market-neutral hedge funds, and on the change in value of the Common Share Portfolio less the costs of leverage. The investments in market-neutral hedge funds held by Enhancement Fund Limited are valued on the basis of the definitive transactional 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 provisional transactional net asset values based on preliminary returns reported by the administrators or the portfolio managers of such funds.

(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 Statement 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 bid price, as published by the 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 Statement of Net Assets. The adoption of section 3855 has not resulted in any change in the valuation of futures contracts in the Trust's financial statements.

(d) 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. Revenues and expenses denominated in foreign currencies are translated using the average exchange rate for the year.

(e) 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.

(f) Transaction Costs

In accordance with Section 3855, transaction costs are expensed and are included in the Statement of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment.

(g) Comparative Figures

Certain of the 2006 comparative figures have been reclassed to conform to the 2007 financial statement presentations.

3. Investment in Income Trusts and Common Shares

The following table summarizes investment transactions in income trusts during period:

	For the six-month period ended June 30, 2007	For the six-month period ended June 30, 2006
Income trusts at cost – beginning of the period	$22,998,484	$ 29,017,144
Cost of income trusts purchased	3,953,566	8,248,148
Cost of income trusts sold	(8,124,072)	(14,360,303)
Income trusts at cost – end of the period	18,827,978	22,904,989
Unrealized appreciation (depreciation) on income trusts	(128,639)	1,301,236
Market value of income trusts – end of the period	$18,699,339	$ 24,206,225
Proceeds of income trusts sold	$ 8,492,773	$ 14,873,309
Cost of income trusts sold	(8,124,072)	(14,360,303)
Net realized gain on income trusts	$ 368,701	$ 513,006

The following table summarizes investment transactions in common shares during the period:

	For the six-month period ended June 30, 2007	For the six-month period ended June 30, 2006
Common shares at cost – beginning of the period	$2,590,524	$2,797,499
Cost of common shares purchased	—	—
Cost of common shares sold	(388,800)	(454,427)
Common shares at cost – end of the period	2,201,724	2,343,072
Unrealized depreciation on common shares	1,385,383	(233,800)
Market value of common shares – end of the period	$3,587,107	$2,109,272
Proceeds of common shares sold	$ 595,307	454,428
Cost of common shares sold	(388,800)	(439,963)
Net realized gain on common shares	$ 206,507	$ 14,465

4. Management, Advisory and Other Fees

The Trust retained Northwater Fund Management Inc. (the "Manager") under a management agreement dated February 15, 2005. Northwater Capital Management Inc. (the "Investment Advisor"), a company formed under the laws of Ontario, Canada, 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 legislation in these provinces. The Investment 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 Investment Advisor is a member of the U.S. National Futures Association.

The Manager is responsible for the day-to-day administration, portfolio management and unitholder services of the Trust. In exchange for these services, the Manager is entitled to an annual fee of 0.25% of the net assets of the Trust, calculated on the last Valuation Date of each month. The fee is paid monthly in arrears.

A service fee of 0.40% per annum of the net assets of the Trust, is payable to the Manager calculated on the last Valuation Date of each quarter. The service fee will be applied by the Manager to pay a service fee to registered dealers for services they provide to unitholders. The service fee is accrued monthly and calculated and paid quarterly in arrears.

A forward financing fee of approximately 0.60% per annum of the market value of Enhancement Fund Limited (the "Fund"), is payable to the Counterparty of the Forward, that may vary based on the market value of the Common Share Portfolio, calculated and paid monthly in arrears. The leverage costs have been included in the Statement of Operations as part of the value of the Forward (see note 6).

The Fund pays to the Investment Advisor an advisory fee of 1.00% per annum of the net assets of the Fund calculated and accrued monthly, and paid monthly in arrears.

5. Futures Contracts

The Trust enters into futures contracts to hedge the currency exposure of portfolio securities and liabilities of the Trust denominated in foreign currencies. For the six-month period ended June 30, 2007, 13 open futures contracts existed (six-month period ended June 30, 2006: no open future contracts existed).

During the six-month period ended June 30, 2007, total commissions and other transaction costs paid or payable to dealers by the Trust was in the amount of $253 (six-month period ended June 30, 2006: $60).

6. Forward Agreement

The Trust has entered into a forward agreement ("Forward") with a U.S. Bank on March 31, 2005 (the "Counterparty") to obtain exposure to a diversified portfolio of market-neutral hedge funds (the "Hedge Fund Portfolio") held in the Enhancement Fund Limited (the "Fund"), a Cayman Islands exempt company. The U.S. dollar exposure to the Hedge Fund Portfolio is largely hedged through the Forward. The target exposure to the Hedge Fund Portfolio is equal to 100% of the transactional net asset value of the Trust. The actual exposure as at June 30, 2007 was 95% The Trust has pledged to the Counterparty the Common Share Portfolio listed on the Statement of Investment Portfolio. The Trust has agreed to deliver the Common Share Portfolio to the Counterparty, on or about the Termination Date, in exchange for the redemption proceeds of the Fund less the leverage provided by the Counterparty in order to provide the exposure to the Fund and related costs of leverage. As a result, the value of the Forward is determined based on the change in valuation of the Fund and the Common Share Portfolio less the costs of leverage. The Trust's transactional net asset value is not affected by the changes in the market value of the Common Share Portfolio as any decrease (increase) in the value of the Common Share Portfolio will be offset by a corresponding increase (decrease) in the value of the Forward.

The notional amounts of the Forward as at June 30, 2007 are in the amount of U.S.$15,617,647 and Canadian $2,201,997 (December 31, 2006: U.S. $ 19,485,536 and Canadian $ 2,590,595). During the six-month period ended June 30, 2007, the Counterparty redeemed 150.1931 participating shares of the Fund for $1,993,590 (U.S. $1,700,000).

The creditworthiness of the Counterparty was reviewed prior to the transaction and is monitored on a regular basis pursuant to the credit standards established by the Manager. As at June 30, 2007 the credit rating of the counterparty was AA-. The Trust is exposed to monies to be received

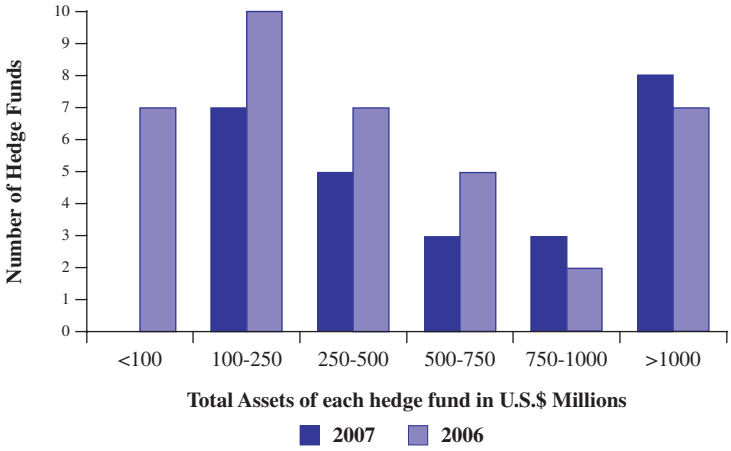
from the Counterparty at the maturity of the Forward. The Forward agreement provides for the Trust's ability to terminate the Forward if the credit rating of the Counterparty goes below a certain threshold.

The Trust has exposure through the Forward to a diversified portfolio of market-neutral hedge funds owned by the Fund. The market-neutral hedge funds included in the Fund's portfolio are organized and domiciled in non-U.S. jurisdictions consisting primarily of Bermuda, Cayman Islands, and the British Virgin Islands. These market-neutral hedge funds are managed by portfolio managers (independent of the Manager and the Investment Advisor) who are compensated for their services by the respective market-neutral hedge funds they manage. Such compensation consists of an asset-based advisory fee, generally ranging from 1% to 2% annually, and a performance-based incentive fee, generally ranging from 10% to 20% of net profits earned above a high-water mark. Compensation paid to the independent portfolio managers of the market-neutral hedge funds is not separately computed and disclosed by the Fund but rather is reflected in the valuation of each market-neutral hedge fund. Redemption provisions for the market-neutral hedge funds will vary from monthly to annually with notice provisions ranging generally from 30 days' notice to 180 days' notice and may be subject to lock-up provisions.

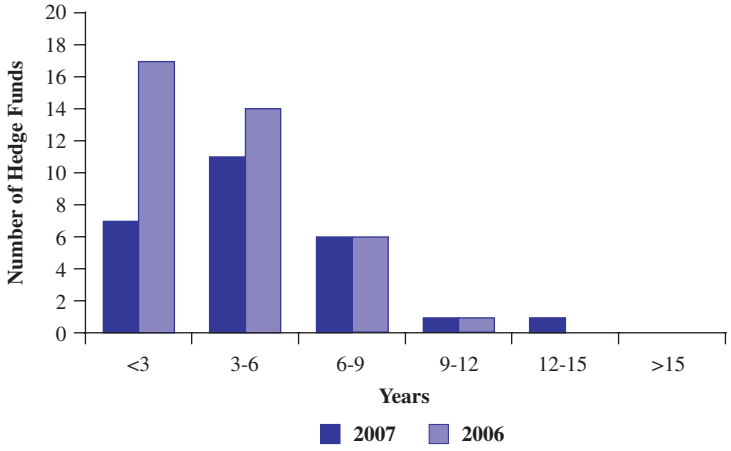
The following table shows the hedge fund holdings by strategy as at June 30, 2007 and December 31, 2006. The multi-strategy funds have not been allocated to any of the underlying hedge fund strategies set out in this table.

	As at June 30, 2007			As at December 31, 2006		
Strategy	No. of Hedge Funds	Fair Value		No. of Hedge Funds	Fair Value	
Activist	1	$ 857,617	5%	1	$ 776,206	4%
Asset-backed securities arbitrage	3	2,310,154	13%	3	2,644,901	13%
Capital structure arbitrage	—	—	—	1	383,551	2%
Convertible bond arbitrage	—	—	—	—	—	—
Distressed securities	5	2,878,037	16%	5	3,258,875	15%
Energy relative value	—	—	—	2	715,775	3%
Fixed-income arbitrage	2	1,529,501	8%	2	1,484,116	7%
Merger arbitrage	1	563,642	3%	1	591,458	3%
Mortgage-backed security arbitrage	4	2,965,150	16%	4	3,167,892	15%
Multi-strategy	3	2,454,391	14%	4	2,518,163	12%
Re-insurance	2	1,469,289	8%	2	1,390,180	7%
Structured finance	2	2,172,309	12%	5	3,220,665	15%
Statistical arbitrage	3	948,631	5%	2	904,590	4%
	26	$18,148,721	100%	32	$21,056,372	100%

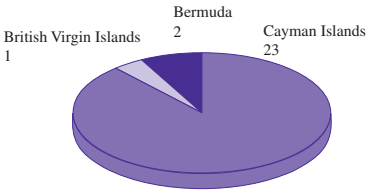
The following table shows the number of hedge funds held by the Fund as at June 30, 2007 and 2006 categorized by the size of each hedge fund.



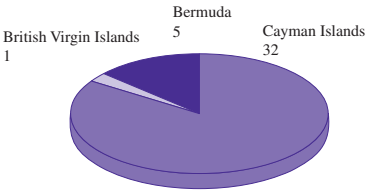
The following table shows the number of hedge funds held by the Fund as at June 30, 2007 and 2006 categorized by the years since inception of each hedge fund.



The following chart illustrates the number of hedge fund holdings of the Fund by jurisdiction of organization as at June 30, 2007 and 2006.



2007



2006

7. Distributions

The Trust pays monthly distributions to unitholders targeted to return an annual yield of 9.5% of the original price of the Units. To achieve this targeted distribution, the monthly distribution to unitholders is comprised of distributions received by the Trust on the income trust portfolio plus an additional distribution of 3.5% per annum on the original price of the Units to be derived from the returns of Enhancement Fund Limited.

During the six-month period ended June 30, 2007, the Trust made distributions totaling $0.48 per unit ($1,210,667 was distributed in aggregate) (six-month period ended June 30, 2006: $0.48 per unit; $1,477,225 in aggregate).

8. Bank Loan

The Trust has a revolving loan facility with a Canadian financial institution (the "Bank"). The amount of the loan facility allocated to assist the Trust in implementing its investment strategy will not exceed 10% of the total assets of the Trust determined at the time of borrowing. Additional borrowings under the loan facility may be made for working capital purposes, provided that the aggregate outstanding borrowings would not exceed 15% of the total assets of the Trust immediately after any such borrowing. If, at any time, the amount outstanding under the loan facility exceeds 20% of the total assets of the Trust at such time, the Trustee will cause the Trust to sell income trusts and use the proceeds therefrom to reduce indebtedness so that the amount borrowed by the Trust does not exceed 20% of its total assets. In the event of a default by the Trust under the loan facility, the loan facility will provide that the Bank's recourse under the loan facility will be limited solely to the assets of the Trust.

During the six-month period ended June 30, 2007, the bank loan was $2,572,518 (year-ended December 31, 2006: bank loan balance fluctuated between $2,591,000 and $3,050,000)

The average rate of interest paid on the loan for the six-month period ended June 30, 2007 was 4.35%.

9. Unitholders' Equity

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.

The Trust, through its initial public offering in February 2005, realized gross proceeds of $32,500,000 based on the issuance of 3,250,000 units. Agents' fees of $1,706,250 and issue costs of $487,500 were incurred in connection with the offering.

Under the declaration of trust, the Trust is required to make purchases of units of up to 1.25% of the outstanding units per quarter if the price at which the units offered in the market is less than 95.0% of the transactional net asset value per unit as at the close of business on the preceding Valuation Date. Under a normal course issuer bid and the Trust's quarterly market support obligation, the Trust purchased 63,400 units at a cost of $552,992 for cancellation during the six-month period ended June 30, 2007 (six-month period ended June 30, 2006: 87,800 units were purchased for cancellation)

Units may also be redeemed by the unitholders annually each year on June 30 commencing in 2006 provided that notice of such redemption is provided to the Manager at least 45 days prior to June 30 of such year. Units will be redeemed only on June 30 of each year (the "Redemption Date"), subject to the Trust's right to suspend redemptions in certain circumstances. Unitholders whose units are redeemed will be entitled to receive a redemption price per unit equal to the transactional net asset value per unit on the Redemption Date and payable on or before the 30th business day following the relevant Redemption Date (the "Redemption Payment Date"). Any unpaid distribution payable to unitholders of record on or before the Redemption Date in respect of units tendered for redemption will also be paid on the Redemption Payment Date. Notwithstanding the foregoing, the Trust shall not be required to redeem on any Redemption

Date units exceeding 15% of the number of outstanding units as of such Redemption Date. If units submitted for redemption on any Redemption Date exceed 15% of the number of outstanding units as of such Redemption Date and the Trust does not elect to redeem all units submitted for redemption, the units shall be redeemed on a pro rata basis.

As of June 30, 2007, 900,902 Units were submitted for redemption (June 30, 2006: 766,791 Units were redeemed). Since the number of Units submitted for redemption exceeded 15% of the number of outstanding Units as of the Redemption Date, the Units were redeemed on a pro rata basis. A total of 373,754 Units were redeemed at the June 30, 2007 transactional net asset value per Unit of $9.6132 for $3,592,972 cash paid on July 26, 2007 (June 30, 2006: 463,410 Units for $4,456,428 cash paid).

Unitholders' equity is comprised of unit capital and retained earnings. The following table shows the transactions for unit capital and retained earnings (deficit) during the relevant periods:

Six-month period ended June 30, 2007	Units Outstanding	Unit Capital	Retained Earnings (Deficit)	Unitholders' Equity
Balance – December 31, 2006	2,555,090	$23,826,214	$(1,226,185)	$22,600,029
Adjustment from closing traded prices to bid market prices (Note 2)			(73,122)	(73,122)
Increase (decrease) in net assets from operations for the year	—	—	3,048,881	3,048,881
Units cancelled during the period	(63,400)	(591,204)	38,213	(552,992)
Units redeemed during the period	(373,854)	(3,485,256)	(107,716)	(3,592,972)
Distributions			(1,210,667)	(1,210,666)
Balance – June 30, 2007	2,117,936	$19,749,754	$ 469,404	$20,219,158

Six-month period ended June 30, 2006	Units Outstanding	Unit Capital	Retained Earnings (Deficit)	Unitholders' Equity
Balance – December 31, 2005	3,177,200	$29,627,390	$ 1,411,149	$31,038,539
Increase (decrease) in net assets from operations for the year	—	—	949,224	949,224
Units cancelled during the period	(87,800)	(818,735)	17,570*	(801,165)
Units redeemed during the period	(463,410)	(4,321,298)	(135,130)	(4,456,428)
Distributions	—	—	(1,477,225)	(1,477,225)
Balance – June 30, 2006	2,625,990	$24,487,357	$ 765,588	$25,252,945

* represents the stated value in excess of the cost of units repurchased

10. Income Taxes

As at December 31, 2006, the Trust qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada) (the "Tax Act"). In determining its income for tax purposes, the Trust intends to treat gains or losses on the disposition of securities in the Common Share Portfolio under the Forward as capital gains and losses. As all of the net taxable income of the Trust, including net realized gains from its investment, 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, 2006, the Trust has no non-capital loss carryforwards and no capital loss carryforwards

11. Reconciliation of Net Assets

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the net assets calculated in accordance with Section 3855 (the "GAAP NAV") of the investment fund is required and reported in the financial statements.

The below tables reconciles the transactional net asset value as at June 30, 2007 with the net assets per unit as calculated in accordance with section 3855.

	Net asset value	Net asset value per unit
Transactional net asset value	$20,360,248	$ 9.60
Section 3855 Adjustment (note 2)	(141,090)	(0.05)
Net Assets per the Statement of Net Assets	$20,219,158	$ 9.55

12. 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 the transfer agent against any and all actions and suits against any and all losses, damages, costs, charges, counsel fees, payments, expenses and liabilities arising directly or indirectly out of its agency relationship to the Trust;

3) an indemnity to the Counterparty against any costs, claims, expenses, liabilities, demands, damages, losses, actions or proceedings of any kind arising as a result of the Counterparty holding the Common Share Portfolio;

4) an indemnity to the custodian, its affiliates, subsidiaries and agents, and their directors, officers and employees against all legal fees, judgments and amounts paid in settlement, actually and reasonably incurred arising in connection with custodial or sub-custodial services provided except to the extent incurred as a result of breach of the standard of care;

5) an indemnity to the trustee, a manager, an affiliate of the trustee or manager or a unitholder, against all liabilities and expenses reasonably incurred in connection with any action, suit or proceeding to which any such person may be made a party by reason of being or having been an indemnified party;

6) 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

7) an indemnity to the Bank and its officers, directors, employees and agents against any reasonable costs, charges and expenses incurred or any claim or losses suffered arising out of (i) the preparation, execution and delivery of preservation of rights, refinancing, renegotiation or restructuring of the loan documents and any related amendment, waiver or consent (ii) any advice of counsel as to the rights and duties of the Bank with respect to the administration of the credit facility (iii) a default of the Trust under any loan document and (iv) any proceedings brought against the Bank due to its entering into any of the loan documents and performing its obligations.

Historically, no payments have been required to be 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. The Trust is 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 Capital Management Inc., a leader in financial innovation since January 1989, offers customized portfolio solutions to the global investment community through the firm's Portfolio Platform™, a proprietary platform that incorporates the flexibility and scalability necessary to meet a variety of investor needs.

The firm's established indexing capability allows investors to access global equity and fixed income markets on a cost-effective basis. In addition, utilizing its expertise in constructing market-neutral fund of hedge fund portfolios that seek to generate consistent returns in both normal and extreme markets, Northwater seeks to deliver a reliable source of alpha, or excess return. Northwater's structuring technology 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 more than ten years of experience in fund of hedge funds, Northwater has steadily grown exposure under management to approximately CDN $14.7 billion in total, including $4.7 billion USD invested in hedge funds as at June 30, 2007. 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, Australia, the United Kingdom and the rest of Europe. The firm has offices in Toronto, New York and Chicago.

Northwater also acts as an advisor to the following two closed-ended funds listed on the TSX, in addition to Northwater Top 75 Income Trusts Plus:

- Northwater Market-Neutral Trust, the first publicly-listed investment vehicle of its kind in Canada to invest in a diversified portfolio of market-neutral hedge funds, which was launched in 1997; and
- Northwater Five-Year Market-Neutral Trust, launched in 2004

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 transactional net asset value update call:
1 (888) 429-8774

TSE Symbol: NTP.UN