NORTHWATER TOP 75 INCOME TRUSTS PLUS

NORTHWATER

Northwater Top 75 Income Trusts Plus
Report for the six-month period ended June 30, 2008
(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 six-month period ended June 30, 2008 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, 2008, the net asset value of the Trust per unit was $8.35. For the six-months ended June 30, 2008, the return of the Trust was 6.29% including distributions. During the same time period, the S&P/TSX Capped Income Trust Index rose by 24.49%, the DEX Universe Bond Index returned 2.21 %, the S&P/TSX Composite Index rose by 5.99% and the S&P 500 in U.S. dollar terms, fell by 11.91% which translates to a loss of 9.45% in Canadian dollar terms. The Trust made distributions of $0.48 per unit during the period.

In the first quarter of 2008 the hedge fund market continued to be challenged by systematic risk related to the credit crisis which continued unabated from last year. Hedge funds in a variety of strategies were impacted as the credit crisis rippled through various markets, causing hedge funds and banks to unload large positions or hedge "at all cost" as they continued to de-leverage their books and reduce risk. The bailout of Bear Stearns in March, mediated by the Federal Reserve Board, restored some confidence in the markets, leading to positive returns in most hedge fund strategies in the second quarter of 2008. However, the positive returns in the second quarter were not enough to carry hedge fund performance into positive territory.

The portfolio of market-neutral hedge funds managed by Northwater Fund Management Inc. (the "Manager") to which the Trust has exposure, experienced negative returns over the six months ending June 30th 2008. Four of the eight strategies posted positive returns with asset backed securities, providing the highest positive contribution to the return. The largest negative contribution came from the fixed income arbitrage strategy, which was negatively impacted by worldwide inflationary pressures and economic risks.

Although the current environment has caused stress in our portfolio, we believe the dislocations have also created attractive relative value market opportunities and we expect that our current investments will benefit from market normalization. The Manager remains focused on its investments in managers employing market-neutral strategies that are expected to deliver strong risk-adjusted returns consistent with the investment objectives.

Northwater continues to actively manage the composition of the Trust's hedge fund portfolio. During the six-month period ended June 30, 2008, four funds were removed for declining strategy returns and ineffective implementation of their investment strategy.

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

DAVID S. FINCH, CFA
Managing Director and
Chief Operating Officer
Northwater Capital Management Inc.

August 8, 2008

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 six-month period ended June 30, 2008 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

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862 "Financial Instruments – Disclosures (S. 3862) and Section 3863, "Financial Instruments- Presentation (S. 3863), which provides comprehensive disclosure and presentation requirements for financial instruments.

The requirements of S. 3862 and S. 3863 are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 and have been reflected in the notes to the financial statements.

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. In establishing the Hedge Fund Portfolio "mix," the Investment Advisor to the Fund 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 19 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 up to 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 accounts that hold hedge fund investments in addition to the Hedge Fund Portfolio. Accounts with similar investment objectives are generally managed in a similar manner. Hedge fund investment allocation decisions are subject to account guidelines and restrictions. Limited hedge fund investment opportunities will be allocated to accounts in a manner that the Investment Advisor determines is equitable to accounts 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, 2008 was 18.52% (December 31, 2007: 15.17%)

Risks

The following tables present information for the six-month period ended June 30, 2008 and 2007 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 Advisor believes to be relevant.

Trust Statistics	For the period from inception to June 30, 2008	For the period from inception to June 30, 2007
# of positive monthly returns	26	19
# of negative monthly returns	15	10
% of negative months	36.6%	34.5%
Average size of negative months	(3.43)%	(3.28)%
Worst monthly return	(9.86)%	(9.86)%

Single Hedge Fund Statistics of the Fund	Six-month period ended June 30 2008	Six-month period ended June 30 2007
# of hedge funds with positive returns (1, 2)	11	25
# of hedge funds with negative returns (1, 2)	15	1
Average annual hedge fund standard deviation (2)	9.12%	4.08%
Average correlation between hedge funds (2)	0.25%	0.12%

(1) Measured for hedge funds in the Hedge Fund Portfolio as at June 30, 2008 and June 30, 2007 respectively.

(2) As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio as at June 30, 2008 and June 30, 2007 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, 2008. 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 period ended June 30, 2008, the Trust posted a return of 6.29% taking into account distributions made during the period. Distributions during the period totaled $964,993 or $0.48 per Unit.

During the six-month period ended June 30, 2008, two 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 24.49% during this period.

For the six-month period ended June 30, 2008, the Fund's return was -1.22% (USD return). The asset-backed securities arbitrage strategy contributed most positively to hedge fund returns while the fixed income arbitrage was the weakest performer.

The Trust had borrowings in the amount of $ 2,585,698 as at June 30, 2008 through a revolving loan facility with a Canadian financial institution. The financial leverage as at June 30, 2008 was 18.52%. The Trust has employed the loan as leverage to enhance its investment returns.

The Trust purchased 58,800 Units under its repurchase and cancellation programs at a cost of $421,234 resulting in a contribution of 0.37% 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 reported net asset value per Unit on the Redemption Date and payable on or before the 30th Business Day following the relevant Redemption Date.

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, 2008 is set out in the Statement of Investment Portfolio. As at June 30, 2008, 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, 2008 and June 30, 2007.

Trust Sector	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
Business trusts	$ (658,527)	$1,345,124
Energy trusts	1,727,977	143,296
Power & pipeline trusts	(32,227)	9,363
Real estate investment trusts	(121,510)	156,378

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, 2008			As at December 31, 2007		
Trust Sector	No. of Income Trusts	Fair Value		No. of Income Trusts	Fair Value	
Business trusts	29	$ 5,097,340	38%	28	$ 6,049,264	38%
Energy trusts	24	4,457,831	33%	25	5,236,511	33%
Power & pipeline trusts	7	1,255,044	9%	7	1,675,362	10%
Real estate investment trusts	15	2,686,696	20%	14	3,040,812	19%
	75	$13,496,911	100%	74	$16,001,949	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, 2008 and December 31, 2007.

Trust Sector	As at June 30, 2008	As at December 31, 2007
Business trusts	1.39%	1.55%
Energy trusts	1.45%	1.62%
Power & pipeline trusts	1.33%	1.51%
Real estate investment trusts	1.32%	1.44%

The following table lists the largest 25 income trusts by fair value held by the Trust as at June 30, 2008.

Top 25 Income Trust Investments	Type of Investment	Cost	Fair Value	Fair Value as a % of Net Assets
ARC Energy Trust	Trust Units	$114,766	$202,080	1.45%
Canadian Oil Sands Trust	Trust Units	58,081	194,150	1.39%
Fording Canadian Coal Trust	Trust Units	67,284	194,000	1.39%
Trilogy Energy Trust	Trust Units	232,678	192,836	1.38%
Vermilion Energy Trust	Trust Units	97,515	190,275	1.36%
Harvest Energy Trust	Trust Units	227,586	189,956	1.36%
Westshore Terminals Income Fund	Trust Units	127,636	189,792	1.36%
Crescent Point Energy Trust	Trust Units	93,474	189,457	1.36%
Baytex Energy Trust	Trust Units	79,273	187,812	1.35%
Bonavista Energy Trust	Trust Units	153,800	187,250	1.34%
NAL Oil & Gas Trust	Trust Units	154,981	187,146	1.34%
Advantage Energy Income Fund	Trust Units	236,728	186,730	1.34%
Great Lakes Hydro Income Fund	Trust Units	194,308	185,710	1.34%
Cathedral Energy Services Income Trust	Trust Units	175,963	185,520	1.33%
AG Growth Income Fund	Trust Units	212,734	185,440	1.33%
BFI Canada Income Fund	Trust Units	212,547	185,280	1.33%
Penn West Energy Trust	Trust Units	158,896	185,100	1.33%
Consumers' Waterheater Income Fund (The)	Trust Units	242,256	185,070	1.33%
Progress Energy Trust	Trust Units	176,437	184,658	1.32%
Freehold Royalty Trust	Trust Units	135,279	184,569	1.32%
Precision Drilling Trust	Trust Units	222,999	184,183	1.32%
Provident Energy Trust	Trust Units	195,772	183,912	1.32%
Canadian Real Estate Investment Trust	Trust Units	119,951	183,834	1.32%
Labrador Iron Ore Royalty Income Fund	Trust Units	89,452	183,810	1.32%
Paramount Energy Trust	Trust Units	259,898	183,549	1.31%

Hedge Funds

The Trust has obtained exposure to 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 up to 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 ended June 30, 2008, the Fund redeemed from four hedge funds (consisting of two structured finance funds, one energy relative value fund and one distressed securities fund), (six month period ended June 30, 2007: the Fund placed investments with no 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, 2008 and June 30, 2007.

Strategy	Six-month period ended June 30, 2008	Six-month period ended June 30, 2007
Activist investments	(9.40)%	10.49%
Asset-backed securities arbitrage	6.49%	11.74%
Distressed securities arbitrage	(3.49)%	11.28%
Fixed-income arbitrage	(13.56)%	3.06%
Merger arbitrage	—	(4.70)%
Mortgage-backed security arbitrage	(1.98)%	6.57%
Multi-strategy	2.86%	8.55%
Re-insurance arbitrage	1.69%	6.58%
Statistical arbitrage	7.40%	4.87%
Structured finance	—	4.87%

As at June 30, 2008, the Hedge Fund Portfolio included investments in 26 hedge funds with 24 managers engaged in 8 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, 2008			As at December 31, 2007		
Strategy	No. of Hedge Funds	Fair Value (in U.S. Dollars)		No. of Hedge Funds	Fair Value (in U.S. dollars)	
Activist investments	1	$ 745,955	5%	1	$ 823,361	5%
Asset-backed securities arbitrage	3	2,435,969	17%	3	2,393,950	13%
Distressed securities arbitrage	3	1,262,462	9%	4	2,214,191	12%
Fixed-income arbitrage	3	984,063	7%	3	1,138,400	6%
Merger arbitrage	—	—	—	1	213,907	1%
Mortgage-backed security arbitrage	4	2,183,143	15%	4	2,727,271	15%
Multi-strategy	6	4,030,481	28%	6	3,918,539	22%
Re-insurance arbitrage	2	955,319	6%	2	1,199,750	7%
Structured finance	—	—	—	2	1,456,923	8%
Statistical arbitrage	4	1,825,960	13%	4	2,024,325	11%
	26	$14,423,352	100%	30	$18,110,617	100%

The following charts illustrate the hedge fund holdings by strategy of the Fund as at June 30, 2008 and December 31, 2007. 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, 2008 and December 31, 2007.

Strategy	As at June 30, 2008	As at December 31, 2007
Activist investments	5.42%	4.85%
Asset-backed securities arbitrage	9.54%	7.06%
Distressed securities arbitrage	4.39%	3.88%
Fixed-income arbitrage	2.94%	2.61%
Merger arbitrage	—	1.26%
Mortgage-backed security arbitrage	5.28%	6.07%
Multi-strategy	8.40%	6.29%
Re-insurance arbitrage	4.63%	5.28%
Structured finance	—	4.99%
Statistical arbitrage	6.83%	5.11%

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, 2008. 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.$)	Fair Value (in U.S.$)	Fair value as a % of Net Assets of the Trust
Mariner-Tricadia Credit Strategies, Ltd.*	Participating Shares	$ 600,000	$1,312,050	9.54%
D.E. Shaw Composite International Fund *	Participating Shares	1,000,000	1,155,874	8.40%
Oxam Fund Ltd.*	Participating Shares	800,000	939,733	6.83%
CRC Global Structured Credit *	Participating Shares	549,164	805,282	5.85%
Icahn Fund Limited *	Participating Shares	600,000	745,955	5.42%
Sorin Offshore Fund Limited *	Participating Shares	500,000	726,991	5.28%
Fund 146*	Participating Shares	482,170	637,418	4.63%
Fund 131*	Participating Shares	498,315	636,591	4.63%
Fund 130*	Participating Shares	600,000	615,117	4.47%
Fund 101*	Participating Shares	481,078	604,336	4.39%
Fund 121*	Participating Shares	600,000	572,903	4.16%
Fund 190*	Participating Shares	500,000	563,791	4.10%
Fund 208*	Participating Shares	500,000	561,478	4.08%
Fund 116*	Participating Shares	354,159	538,017	3.91%
Fund 150*	Participating Shares	515,254	521,999	3.79%
Fund 183*	Participating Shares	402,752	511,151	3.71%
Fund 216*	Participating Shares	400,000	448,285	3.26%
Fund 211*	Participating Shares	400,000	406,569	2.95%
Fund 222*	Participating Shares	400,000	404,256	2.94%
Fund 103*	Participating Shares	461,310	370,362	2.69%
Fund 140*	Participating Shares	373,192	335,439	2.44%
Fund 195*	Participating Shares	243,043	318,728	2.32%
Fund 171*	Participating Shares	415,486	318,637	2.32%
Fund 191*	Participating Shares	246,755	244,368	1.78%
Fund 212*	Participating Shares	—	96,648	0.70%

* 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 33,316 shares in Nortel Networks Corp. and 26,604 shares in Research in Motion Ltd. as at June 30, 2008. 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 1.59% and 28.45% as at June 30, 2008, 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, 2008, for the years ended December 31, 2007 and 2006 and for the period from February 25, 2005 to December 31, 2005.

The Trust's Net Assets per Unit (1)

	For the six-month period ended June 30, 2008	For year ended December 31, 2007	For year ended December 31, 2006	February 25, to December 31, 2005
Net assets, beginning of period	$ 8.31	$ 8.85	$ 9.77	$ 9.325
Increase (decrease) from operations:				
Total revenue	0.38	0.77	0.87	0.70
Total expenses	(0.14)	(0.28)	(0.23)	(0.16)
Realized gains (losses) for the period	(0.28)	0.46	0.32	0.07
Unrealized gains (losses) for the period	0.48	(0.33)	(0.90)	1.74
Total increase from operations (2)	0.44	0.62	0.06	1.23
Distributions:				
From income (excluding dividends)	(0.48)	0.2552	$0.24650	$0.23814
From dividends	—	—	0.02972	0.02530
From capital gains	—	0.4712	0.45015	0.09514
Return of capital	—	0.2336	0.23363	0.44142
Total Distributions in the period (3)	(0.48)	0.9600	$0.96000	0.80000
Net Assets, at end of period (4)	$ 8.28	$ 8.31	$ 8.85	$ 9.77

(1) This information is derived from the Trust's financial statements. The net assets per unit presented in the financial statements differs from the net asset value calculated for pricing purposes. An explanation of these differences can be found in the notes to the financial statements.

(2) 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.

(3) Distributions were paid in cash. For the six-month period ended June 30, 2008 the nature of the distributions will be determined at the end of the year.

(4) 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

	June 30, 2008	2007	2006	2005
Total net asset value (000's) (1)	$ 13,960	$ 17,030	$ 22,600	$ 31,038
Number of units outstanding (1)	1,684,986	2,041,136	2,555,090	3,177,200
Management expense ratio (2)	9.56%	9.05%	7.15%	14.63%
Management expense ratio before waivers or absorptions	9.56%	9.05%	7.15%	14.63%
Portfolio turnover rate (3)	16.12%	21.26%	28.12%	15.23%
Trading expense ratio (4)	0.16%	0.12%	0.13%	0.33%
Closing market price, end of period	$ 7.15	$ 6.99	$ 7.91	$ 8.55

(1) This information is provided as at June 30, 2008 and as at December 31 of the years shown.

(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 asset value 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 six-month period ended June 30, 2008 added 4.33%, the year ended December 31, 2007 added 4.33% and 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, 2007, 2006, 2005 and 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 Trust.

(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

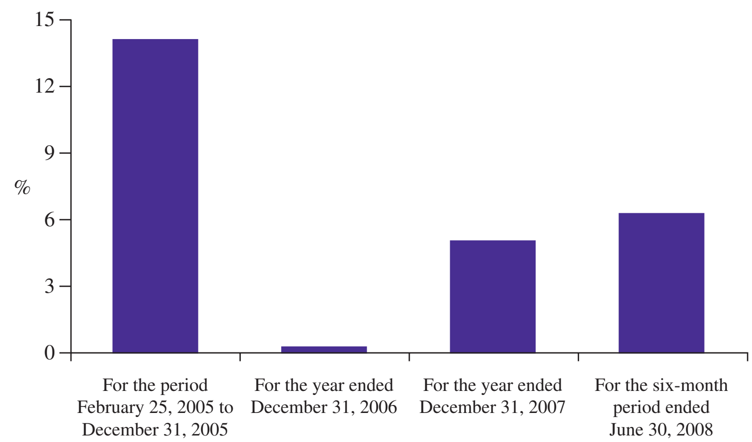
(c) how the Trust has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

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

(a) the bar chart shows the Trust's performance for each of the periods shown, and illustrates how the Trust'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 asset value of the Trust, calculated based on the reported 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 reported 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, 2008, the management fee and service fee expense were $21,352 and $34,004 respectively, and the management fee and service fee payable by the Trust as at June 30, 2008 was $10,910 and $16,662 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 bid price.

The Trust's reported net asset value per unit is calculated and reported monthly. During the six-month period ended June 30, 2008 the reported net asset value of the Trust fluctuated between $7.87 per unit and $8.39 per unit (six-month period ended June 30, 2007: low of $9.00 and a high of $9.85), 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 six-month period ended June 30, 2008, the daily closing price of the units fluctuated between $6.46 and $7.50 (the six-month period ended June 30, 2007: low of $7.57 and a high of $9.25).

Distributions

During the six-month period ended June 30, 2008, the Trust made distributions totaling $0.48 per unit ($964,993 was distributed in aggregate) compared to $0.48 per unit ($1,210,667 in aggregate) during the six-month period ended June 30, 2007.

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 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
January 31, 2008	February 15, 2008	To be determined	0.08000
February 28, 2008	March 14, 2008	To be determined	0.08000
March 31, 2008	April 15, 2008	To be determined	0.08000
April 30, 2008	May 15, 2008	To be determined	0.08000
May 30, 2008	June 13, 2008	To be determined	0.08000
June 30, 2008	July 15, 2008	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 reported net asset value per unit as at the close of business on the preceding valuation date.

On August 24, 2007, 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 209,154 of the units of the Trust during the period from August 30, 2007 to August 29, 2008, 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, 2008, the Trust purchased 58,800 units for cancellation under this program at a cost of $421,234 (for the year-ended December 31, 2007: 140,200 units at a cost of $1,167,939)

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 reported 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, 2008, 1,065,089 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 297,350 Units were redeemed at the June 30, 2008 reported net asset value per Unit of $8.3470 for $2,481,981 cash paid on July 23, 2008.

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 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.

SHAUNA CASSIDY, CFA Vice-President	MARK STEFFLER, CA Vice-President
Northwater Fund Management Inc.	Northwater Fund Management Inc.

August 8, 2008

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Statements of Net Assets (unaudited)

	As at June 30, 2008	As at December 31, 2007
Assets		
Cash and short-term investments	$ 442,085	$ 352,986
Income trusts – at fair value		
(cost: $14,068,734; 2007: $18,011,919)	13,496,911	16,001,949
Common shares – at fair value		
(cost: $1,871,584; 2007: $2,201,724)	4,192,878	4,880,241
Third party asset-backed commercial paper (note 4)	222,000	264,000
Distribution receivable	140,032	151,397
Receivable for investments sold	2,775,372	—
	21,269,278	21,650,573
Liabilities		
Audit, legal and custody fees payable	13,537	44,244
Service fees payable (note 5)	16,662	18,506
Management and advisory fees payable (note 5)	10,910	11,664
Unrealized loss on forward contract (note 6)	2,041,471	1,869,800
Unrealized loss on currency futures	712	6,016
Distribution payable (note 7)	158,587	161,931
Redemption Payable	2,481,980	—
Loan payable (note 8)	2,585,698	2,574,032
	7,309,557	4,686,193
Net assets	$13,959,721	$16,964,380
Net assets and unitholders' equity (note 9)		
Unit capital	15,712,495	19,033,594
Contributed Surplus	449,593	31,709
Deficit	(2,202,367)	(2,100,923)
	$13,959,721	$16,964,380
Number of units outstanding (note 9)	1,684,986	2,041,136
Net assets per unit	$ 8.28	$ 8.31

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, 2008	For the six-month period ended June 30, 2007
Investment income		
Distributions	$ 734,645	$ 959,232
Interest	2,734	1,070
	737,379	960,302
Expenses		
Service fees (note 5)	34,004	50,026
Forward fees (note 5)	57,823	77,468
Management fees (note 5)	21,352	31,331
Audit fees	30,919	52,785
Advisory fees (note 5)	11,351	6,527
Custodian fees	1,301	2,486
Legal fees	4,441	12,059
Security holder reporting costs	50,164	37,140
Administrative fees	5,017	5,291
Loan interest (note 8)	57,269	63,772
Transaction costs	4,426	10,240
	278,067	349,125
Net investment income	459,312	611,177
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on:		
Income trusts	(522,434)	368,701
Common shares	68,397	206,507
Currency futures	(14,283)	105,878
Change in unrealized appreciation (depreciation) on:		
Income trusts	1,438,147	1,285,460
Common shares	(357,223)	537,782
Third party asset-backed commercial paper	(42,000)	—
Forward contract	(171,671)	(67,821)
Currency futures	5,304	1,197
Realized and unrealized gain (loss) on investments for the period	404,237	2,437,704
Increase in net assets from operations for the period	$ 863,549	$3,048,881
Increase in net assets from operations per unit for the period*	$ 0.44	$ 1.24

* Based on the average number of units outstanding of 1,966,286 (2007 – 2,805,053) 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, 2008	For the six-month period ended June 30, 2007
Net assets – beginning of the period	$16,964,380	$22,526,908
Increase in net assets from operations for the period	863,549	3,048,881
Unit transactions (note 9)		
Net assets of units repurchased and cancelled	(421,234)	(552,992)
Net assets of units redeemed	(2,481,981)	(3,592,972)
	(2,903,215)	(4,145,964)
Distribution to unitholders (note 7)	(964,993)	(1,210,667)
Net assets – end of the period	$13,959,721	$20,219,158

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, 2008	For the six-month period ended June 30, 2007
Cash flows from operating activities		
Increase in net assets from operations for the period	$ 863,549	$ 3,048,881
Items not affecting cash:		
Change in unrealized depreciation (appreciation) on income trusts	(1,438,147)	(1,285,460)
Change in unrealized depreciation (appreciation) on common shares	357,223	(537,782)
Change in unrealized depreciation (appreciation) on third party asset-backed commercial paper	42,000	—
Change in unrealized depreciation (appreciation) on forward contract	171,671	67,821
Change in unrealized depreciation (appreciation) on futures contract	(5,304)	1,196
Realized loss (gain) on income trusts	522,434	(368,701)
Realized loss (gain) on common shares	(68,397)	(206,507)
Changes in non-cash working capital:		
Change in payables	2,448,675	3,585,761
Change in receivables	11,365	17,862
Purchase of income trusts	(3,298,438)	(3,695,250)
Proceeds on sale of income trusts	3,943,817	5,043,268
Proceeds on sale of common shares	398,537	595,307
	3,948,985	6,266,396
Cash flows from financing activities		
Advance on (repayment of) loan	11,666	(3,734)
Repurchase of Trust units	(421,234)	(552,992)
Distributions paid to Trust unitholders	(968,337)	(1,215,738)
Redemption of Trust units	(2,481,981)	(3,592,972)
	(3,859,886)	(5,365,436)
Net increase (decrease) in cash and short-term investments	89,099	900,960
Cash and short-term investments at the beginning of the period	352,986	135,404
Cash and short-term investments at the end of the period	$ 442,085	$ 1,036,364
Supplementary information:		
Interest paid	$ 49,050	$ 60,038

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, 2008

	No. of Shares / Units	Cost	Fair Value	Fair Value as a % of Net Assets
Income trust portfolio				
Advantage Energy Income Fund	14,200	$236,728	$186,730	1.34%
AG Growth Income Fund	6,100	212,734	185,440	1.33%
Algonquin Power Income Fund	23,000	235,984	175,490	1.26%
Allied Properties Real Estate Investment Trust	8,800	183,026	177,496	1.27%
AltaGas Income Trust	6,900	171,949	176,640	1.27%
ARC Energy Trust	6,000	114,766	202,080	1.45%
Arctic Glacier Income Fund	17,900	202,713	176,494	1.26%
Artis Real Estate Investment Trust	11,800	173,714	181,248	1.30%
Baytex Energy Trust	5,400	79,273	187,812	1.35%
Bell Aliant Regional Communications Income Fund	6,200	173,538	180,234	1.29%
BFI Canada Income Fund	8,000	212,547	185,280	1.33%
Boardwalk Real Estate Investment Trust	4,700	98,260	178,271	1.28%
Bonavista Energy Trust	5,000	153,800	187,250	1.34%
Calloway Real Estate Investment Trust	9,000	174,055	175,140	1.25%
Canadian Apartment Properties REIT	10,429	157,376	180,630	1.29%
Canadian Oil Sands Trust	3,550	58,081	194,150	1.39%
Canadian Real Estate Investment Trust	6,300	119,951	183,834	1.32%
Cathedral Energy Services Income Trust	12,000	175,963	185,520	1.33%
Chartwell Seniors Housing REIT	19,900	273,396	180,891	1.30%
CI Financial Income Fund	8,100	202,905	178,200	1.28%
Cinplex Galaxy Income Fund	12,100	212,190	177,628	1.27%
CML Healthcare Income Fund	12,600	172,103	179,550	1.29%
Cominar Real Estate Investment Trust	8,300	154,230	180,276	1.29%
Consumers' Waterheater Income Fund (The)	15,500	242,256	185,070	1.33%
Crescent Point Energy Trust	4,700	93,474	189,457	1.36%
Davis + Henderson Income Fund	10,900	228,387	169,386	1.21%
Daylight Energy Trust	15,101	214,996	182,269	1.31%
Dundee Real Estate Investment Trust	5,700	222,177	177,897	1.27%
Enerflex Systems Income Fund	13,100	149,209	183,531	1.31%
Energy Savings Income Fund	12,600	202,687	177,534	1.27%
Enerplus Resources Fund	3,877	172,300	182,917	1.31%
Epcor Power LP	7,600	269,252	170,240	1.22%
Extendicare Real Estate Investment Trust	18,300	319,284	161,223	1.15%
Fording Canadian Coal Trust	2,000	67,284	194,000	1.39%
Fort Chicago Energy Partners L.P.	16,500	198,063	179,025	1.28%
Freehold Royalty Trust	7,700	135,279	184,569	1.32%
Gaz Metro Limited Partnership	12,000	267,089	180,960	1.30%
GMP Capital Trust	10,300	211,057	163,461	1.17%
Great Lakes Hydro Income Fund	9,800	194,308	185,710	1.33%
Group Aeroplan Inc.	10,500	182,175	178,605	1.28%
H&R Real Estate Investment Trust	10,000	194,196	179,000	1.28%
Harvest Energy Trust	7,747	227,586	189,956	1.36%
InnVest Real Estate Investment Trust	18,600	221,241	177,258	1.27%
Inter Pipeline Fund	17,900	167,707	179,358	1.28%
Jazz Air Income Fund	26,800	207,136	151,420	1.08%

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

Statement of Investment Portfolio (unaudited)
As at June 30, 2008

	No. of Shares / Units	Cost	Fair Value	Fair Value as a % of Net Assets
Keyera Facilities Income Fund	8,200	127,797	180,974	1.30%
Labrador Iron Ore Royalty Income Fund	3,300	89,452	183,810	1.32%
Liquor Stores Income Fund	8,800	208,209	156,552	1.12%
Macquarie Power & Infrastructure Income Fund	22,000	186,979	179,740	1.29%
Morguard Real Estate Investment Trust	13,900	215,290	181,117	1.30%
Mullen Group Income Fund	7,900	226,929	178,382	1.28%
NAL Oil & Gas Trust	11,100	154,981	187,146	1.34%
Newalta Income Fund	9,000	208,875	178,740	1.28%
North West Company Fund	10,600	174,066	175,006	1.25%
Northern Property Real Estate Investment Trust	7,900	160,950	176,881	1.27%
Northland Power Income Fund	13,500	193,491	173,610	1.24%
Paramount Energy Trust	18,300	259,898	183,549	1.31%
Parkland Income Fund	14,645	249,405	154,651	1.11%
Pembina Pipeline Income Fund	10,100	142,510	180,891	1.30%
Pengrowth Energy Trust – Class B Trust Unit	8,875	275,820	181,938	1.30%
Penn West Energy Trust	5,373	158,896	185,100	1.33%
Peyto Energy Trust	9,000	217,731	181,350	1.30%
Precision Drilling Trust	6,700	222,999	184,183	1.32%
Primaris Retail Real Estate Investment Trust	9,800	136,334	178,556	1.28%
Progress Energy Trust	12,700	176,437	184,658	1.32%
Provident Energy Trust	15,800	195,772	183,912	1.32%
Riocan Real Estate Investment Trust	9,000	169,545	178,200	1.28%
Superior Plus Income Fund	15,300	323,271	176,562	1.26%
Teranet Income Fund	20,700	203,255	179,883	1.29%
TimberWest Forest Corp.	13,000	200,836	178,750	1.28%
Trilogy Energy Trust	14,200	232,678	192,836	1.38%
Vermilion Energy Trust	4,300	97,515	190,275	1.36%
Westshore Terminals Income Fund	9,600	127,636	189,792	1.36%
Yellow Pages Income Fund	18,055	251,992	159,787	1.14%
Zargon Energy Trust	7,000	167,425	180,950	1.30%
Transaction costs (note 2)		(24,665)		
Income trust portfolio		14,068,734	13,496,911	96.69%
Common share portfolio				
Nortel Networks Corp [1]	26,604	935,931	221,611	1.59%
Research In Motion Ltd [1]	33,316	935,653	3,971,267	28.45%
Common share portfolio		1,871,584	4,192,878	30.04%
Third party asset-backed commercial paper				
MMAI – I Trust		300,000	222,000	1.59%
Cash		442,085	442,085	3.17%
Total investment Portfolio		$16,682,403	$18,395,874	131.49%
Other net assets			(4,394,153)	(31.49)%
Total net assets and unitholders' equity			$13,959,721	100%

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

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

Schedule 1—Currency futures contracts:

	Bid Price	Notional contract Value	Settlement payable on futures contracts
1 Canadian Dollar Futures	U.S.$98.16	U.S. $98,160	
Contract – September 2008		CAD $99,588	CAD $712

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

NORTHWATER TOP 75 INCOME TRUSTS PLUS

Notes to Financial Statements (unaudited)
For the six-month period ended June 30, 2008 with comparative figures for the six-month period ended June 30, 2007.

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 ("Northwater") 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.

On June 23, 2008, Northwater announced a decision to wind up the affairs of the Trust on or about December 31, 2009. As the Trust obtains exposures to a portfolio of market-neutral hedge funds held by Enhancement Fund Limited ("the Fund") through a forward agreement the early termination of the Trust will also result in the early termination of the Fund.

In accordance with the terms of the Declaration of Trust, the affairs of the Trust will be wound up and all assets remaining after paying or providing for all liabilities and obligations of the Trust will be distributed rateably among the Unitholders.

2. Summary of Significant Accounting Policies

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

Adoption of New Accounting Standards

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862 " Financial Instruments – Disclosures (S.3862) and Section 3863, "Financial Instruments- Presentation (S. 3863), which provides comprehensive disclosure and presentation requirements for financial instruments.

The requirements of S. 3862 and S. 3863 are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007 and have been reflected in the notes to the financial statements.

The following paragraphs outline the accounting policies of the Trust.

(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. 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 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 (the "Fund"), 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 reported 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 reported net asset values based on preliminary returns reported by the administrators or the portfolio managers of such funds.

The third party asset-backed commercial paper ("ABCP") is valued at fair value as determined by Northwater. See note 4 for further details regarding ABCP.

(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 may be 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.

(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 period.

(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

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.

3. Financial Instrument Risk

The Trust's investment activities may expose it to a variety of financial risks including market price risk, currency risk, interest rate risk, and credit risk. The following provides an overview of these risks and describes actions taken by the Trust in an effort to mitigate the potential adverse impact of these risks on the performance of the Trust.

Market price risk

Market price risk is the risk that the future value of a financial instrument will fluctuate as a result of changes in its market price, whether caused by factors specific to the individual investment, its issuer, or any other market factor that may affect its price.

The Trust mainly invests in the largest 75 publicly traded income trusts in Canada. The Manager mitigates the market price risk through holding a diverse portfolio of the 75 largest income trusts in Canada across various sectors. The standard deviation of returns of the investment in income trusts as measured for a rolling 24 month period has been 11.49%. If the value of the portfolio were to change by this amount the impact on the net assets of the Fund would be $ 1,550,795.

In addition, the Trust invests in Canadian publicly traded common shares and through a forward agreement with a counterparty agrees to sell the common shares at a price based on the return of an underlying portfolio of hedge funds. As such the Trust has no exposure to the market price risk for the common shares held.

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

Income Trust Portfolio Exposure

Trust Sector	As at June 30, 2008 No. of Income Trusts	As at June 30, 2008 Fair Value		As at December 31, 2007 No. of Income Trusts	As at December 31, 2007 Fair Value	
Business trusts	29	$ 5,097,340	38%	28	$ 6,049,264	38%
Energy trusts	24	4,457,831	33%	25	5,236,511	33%
Power & pipeline trusts	7	1,255,044	9%	7	1,675,362	10%
Real estate investment trusts	15	2,686,696	20%	14	3,040,812	19%
	75	$13,496,911	100%	74	$16,001,949	100%

The Trust is exposed through a forward agreement to a portfolio of hedge funds (note 6). The process of fair valuing hedge fund investments for which no published market exists, is based upon the fair value of the underlying holdings of the hedge fund. These values may differ from values available had a ready market existed for such investments and may differ from the prices at which such investments may be sold.

The Advisor of the Fund mitigates market price risk through diversification of investments in hedge funds, whose returns exhibit low correlation to the markets. In addition, the Advisor monitors the hedge fund investments in order to ensure the decision to invest in a particular hedge fund strategy continues to be suitable for the Fund's portfolio. Special attention is paid to organizational changes made by the hedge fund managers and to changes in policy relative to their investment objectives, valuation, hedging strategy, degree of diversification, leverage and costs.

The following tables present information for the six-month period ended June 30, 2008 and 2007 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 Advisor believes to be relevant.

Trust Statistics	For the period from inception to June 30, 2008	For the period from inception to June 30, 2007
# of positive monthly returns	26	19
# of negative monthly returns	15	10
% of negative months	36.6%	34.5%
Average size of negative months	(3.43)%	(3.28)%
Worst monthly return	(9.86)%	(9.86)%

Single Hedge Fund Statistics of the Fund	Six-month period ended June 30 2008	Six-month period ended June 30 2007
# of hedge funds with positive returns [1, 2]	11	25
# of hedge funds with negative returns [1, 2]	15	1
Average annual hedge fund standard deviation [2]	9.12%	4.08%
Average correlation between hedge funds [2]	0.25%	0.12%

1. Measured for hedge funds in the Hedge Fund Portfolio as at June 30, 2008 and June 30, 2007 respectively.
2. As measured over the past 24 months for hedge funds in the Hedge Fund Portfolio as at June 30, 2008 and June 30, 2007 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, 2008. The risks of investing in the Trust remain as discussed in the Trust's prospectus.

The following table presents the standard deviations of returns by strategy for the Fund's investment in hedge funds and what the impacting change in net assets would be if the strategies' returns were to change by this amount.

	Standard Deviation *	
Strategy	(%)	($ USD)
Activist Investment	11.07%	$ 82,577
Asset-backed securities arbitrage	3.31%	80,631
Distressed securities arbitrage	5.99%	75,621
Fixed-income arbitrage	12.98%	127,731
Mortgage-backed security arbitrage	5.03%	109,812
Multi-strategy	4.10%	165,249
Re-insurance arbitrage	2.66%	25,411
Statistical arbitrage	13.35%	243,766

• As measured over the past 24 months for hedge funds in the hedge fund portfolio as at June 30, 2008.

Currency risk

Currency risk arises from the Trust holding financial instruments denominated in a currency other than Canadian dollars, which is the Trust's functional currency.

As the Trust is exposed to hedge fund investments that are primarily denominated in U.S. dollars through a forward agreement, the value of such investments may fluctuate with the exchange rate. To manage its currency risk, the Trust attempts to hedge such currency fluctuations through the use of currency futures.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its obligations associated with its financial liabilities. The financial liabilities of the Trust may consist of loans, distributions, settlement of futures contracts and obligations due to market support requirements and unit redemptions.

The Trust primarily invests in the 75 largest publicly traded Canadian income trusts in Canada. As such the investments are considered highly liquid. The Trust is exposed to hedge fund investments through a forward agreement for which there is no active secondary market. As such the investments are considered illiquid. The Fund is subject to redemption restrictions for each of the hedge funds it holds as part of its portfolio. Typically the redemption restrictions are generally monthly, quarterly, semi-annually or annually. Notice periods for redemptions range from 30 days notice to 180 days notice. Redemptions may, in some cases, be subject to lock-up periods, gates, redemption suspensions and side pocket restrictions.

To assist the Trust in its ability to meet its financial obligations, a credit facility is available to provide liquidity within certain contracted restrictions. In addition, the hedge fund portfolio is diversified and managed considering the Trust termination date.

Credit risk

The Trust invests in debt obligations of both government and corporate issuers and is exposed to hedge fund investments through a forward agreement. These financial instruments involve the risk that the counterparty cannot or will not fulfill its obligations of the financial instrument.

The Trust also assumes credit risk to its financial counterparties in connection with derivatives, credit facilities and cash. In evaluating credit risk, the Manager will often be dependent upon information provided by the counterparty or a rating agency which may be materially inaccurate. As at June 30, 2008 the credit rating of the counterparties was as follows:

Counterparty to:	Credit Rating *
Cash	A-1+
Credit facilities	AA-
Forward contract	AA

* Credit ratings as per Standard and Poor's rating agency.

For all debt securities purchased the debt issuer must have a credit rating of R-1 mid or higher. For a listing of all current ratings by debt issuer see the Statement of Investment Portfolio.

Credit risk on hedge fund investments is mitigated through an extensive due diligence process which focuses on monitoring each hedge fund investment in order to ensure the decision to invest in a particular hedge fund strategy continues to be suitable for the Fund's portfolio.

Interest rate risk

Interest rate risk is the risk that a change in interest rates will adversely affect the fair value of fixed income securities. The financial instruments which potentially expose the Trust to interest rate risk are short-term fixed income securities. Effective duration, a commonly used measure of interest rate risk, incorporates a security's yield, coupon, final maturity, call features and other embedded options into one number expressed in years that indicates how price-sensitive a security is to changes in interest rates. The effective duration of a security indicates the approximate change in fair value expected for a 1% change in interest rates. The longer the duration, the more sensitive the security is to changes in interest rates. The Trust has minimal sensitivity to change in rates since fixed-income securities are usually held to maturity and short-term in nature.

4. Third Party Asset-Backed Commercial Paper ("ABCP")

In August of 2007, market conditions resulted in there being no liquidity for the ABCP held by the Fund. The ABCP held by the Fund Continued to be illiquid as of June 30, 2008.

A committee of note holders known as the Pan-Canadian Investor Committee for Third Party Asset-Backed Commercial Paper (the "Committee") was formed to propose the restructuring of the ABCP. On December 23, 2007 the Committee announced an agreement in principle (the "AIP") to restructure the ABCP subject to certain approvals and the affirmative votes of a special majority of note holders. At a meeting on April 25, 2008, 96% of note holders, by number and value endorsed the plan which would result in the restructuring of the current notes for longer term floating rates notes.

On June 5, 2008 Justice Campbell approved the restructuring plan under the provisions of the Companies' Creditors Arrangement Act. An Appeal of Justice Campbell's decision was heard by the Ontario Court of Appeal on June 25th and 26th (the "Appeal"). The restructuring is expected to proceed following the issuance by the Court of a decision in favour of the restructuring (Completion Date).

The Fund has determined fair value for the ABCP primarily using a probability-weighted discounted cash flow model. The valuation model incorporates the terms of the restructuring as proposed by the Committee and relevant market information. The model's significant assumptions include the high probability of success of the restructuring as proposed, the proposed allocation to the notes to be received in exchange for the ABCP currently held, as well as factors including risk adjusted interest rate spreads, discount rate assumptions and assumptions concerning credit conditions.

The fair value of the ABCP represents an estimate by Northwater based on information available to it at the time of the calculation. The calculation of the estimated fair value was based on information that may change. Possible changes that could have a material impact on the valuation of the ABCP include but are not limited to: the outcome of the AIP, the outcome of the Appeal, changes in the value of the underlying assets of the ABCP conduits, and changes in risk adjusted interest rate spreads, discount rate assumptions and assumptions concerning credit condition.

The fair value assigned to the ABCP may differ from the actual value realized on any sale or other liquidation and, as such, the value of such securities may be over-stated or under-stated.

5. 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 asset value 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 asset value 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 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 asset value of the Fund calculated and accrued monthly, and paid monthly in arrears.

6. Forward Agreement

The Trust has entered into a forward agreement ("Forward") with a Canadian 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 Fund, a Cayman Islands exempt company. 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 reported 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 forward agreement matures on March 31, 2012.

The notional amounts of the Forward as at June 30, 2008 are in the amount of U.S.$12,085,168 and Canadian $1,871,724 (December 31, 2007: U.S. $ 15,617,647 and Canadian $ 2,201,997). During the six-month period ended June 30, 2008, the Counterparty redeemed 121.22 participating shares of the Fund for U.S $1,400,000.

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, 2008 the credit rating of the Counterparty was A-1+. 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, 2008 and December 31, 2007. The multi-strategy funds have not been allocated to any of the underlying hedge fund strategies set out in this table.

Strategy	As at June 30, 2008 No. of Hedge Funds	Fair Value (in US Dollars)		As at December 31, 2007 No. of Hedge Funds	Fair Value (in US Dollars)	
Activist Investment	1	$ 745,955	5%	1	$ 823,361	5%
Asset-backed securities arbitrage	3	2,435,969	17%	3	2,393,950	13%
Distressed securities arbitrage	3	1,262,462	9%	4	2,214,191	12%
Fixed-income arbitrage	3	984,063	7%	3	1,138,400	6%
Merger arbitrage	—	—	—	1	213,907	1%
Mortgage-backed security arbitrage	4	2,183,143	15%	4	2,727,271	15%
Multi-strategy	6	4,030,481	28%	6	3,918,539	22%
Re-insurance arbitrage	2	955,319	6%	2	1,199,750	7%
Structured finance	—	—	—	2	1,456,923	8%
Statistical arbitrage	4	1,825,960	13%	4	2,024,325	11%
	26	$14,423,352	100%	30	$18,110,617	100%

The following table shows the number of hedge funds held by the Fund as at June 30, 2008 and 2007 categorized by the size of each hedge fund.

Total Assets of each hedge fund in U.S.$ Millions	2008	2007
< 100	6	0
100-250	3	7
250-500	2	5
500-750	3	3
750-1000	0	3
> 1000	12	8
	26	26

The following table shows the number of hedge funds held by the Fund as at June 30, 2008 and 2007 categorized by the years since inception of each hedge fund.

Years	2008	2007
< 3	1	7
3 – 6	10	11
6 – 9	9	6
9 – 12	3	1
12 – 15	2	1
> 15	1	0
	26	26

The following chart illustrates the number of hedge fund holdings of the Fund by jurisdiction of organization as at June 30, 2008 and 2007.

Location	2008	2007
Cayman Islands	22	23
British Virgin Islands	2	1
Bermuda	2	2
	26	26

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 the Fund.

During the six-month period ended June 30, 2008, the Trust made distributions totaling $0.48 per unit ($964,993 was distributed in aggregate) (six-month period ended June 30, 2007: $0.48 per unit; $1,210,667 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 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.

During the six-month period ended June 30, 2008, the bank loan fluctuated between $2,574,032 and $2,585,698 (year-ended December 31, 2007: bank loan balance fluctuated between $2,574,032 and $2,690,571)

The average rate of interest paid on the loan for the six-month period ended June 30, 2008 was 3.79%.

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 reported 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 58,800 units at a cost of $421,234 for cancellation during the six-month period ended June, 30, 2008 (six-month period ended June 30, 2007: 63,400 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 reported 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, 2008, 1,065,089 Units were submitted for redemption (June 30, 2007: 900,902 Units). 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 297,350 Units were redeemed at the June 30, 2008 reported net asset value per Unit of $8.3470 for $2,481,981 cash paid on July 23, 2008 (June 30, 2007: 373,754 Units for $3,592,972 cash paid).

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

Six-month period ended June 30, 2008	Units Outstanding	Unit Capital	Contributed Surplus	Retained Earnings (Deficit)	Unitholders' Equity
Balance – December 31, 2007	2,041,136	19,033,594	31,709	(2,100,923)	16,964,380
Increase (decrease) in net assets from operations for the year	—	—	—	863,549	863,549
Units cancelled during the period	(58,800)	(548,310)	127,076*	—	(421,234)
Units redeemed during the year	(297,350)	(2,772,789)	290,808*	—	(2,481,981)
Distributions	—	—	—	(964,993)	(964,993)
Balance – June 30, 2008	1,684,986	15,712,495	449,593	(2,202,367)	13,959,721

Six-month period ended June 30, 2007	Units Outstanding	Unit Capital	Contributed Surplus	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)	(38,213)*	(69,503)	(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

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

10. Income Taxes

As at December 31, 2007, 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, 2007, the Trust had no non-capital loss carryforwards and no capital loss carryforwards.

11. Reconciliation of Net Assets

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 "Reported NAV" of an investment fund for up to a one year period ending September 30, 2008. This relief is to permit further review of the suitability of this new pronouncement for the purpose of calculating the Reported 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 Reported NAV of an investment fund.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Reported 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 below tables reconciles the reported net asset value as at June 30, 2008 with the net assets as calculated in accordance with Section 3855.

	Net asset value	Net asset value per unit
Net Assets per the Statement of Net Assets	$13,959,721	$8.28
Section 3855 Adjustment	62,798	0.07
Reported net asset value	$14,022,519	$8.35

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 $14.0 billion in total, including $4.5 billion USD invested in hedge funds as at June 30, 2008. 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

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