

NORTHWATER

Northwater Top 75 Income Trust ^{Plus}
Report for the six-month period ended
June 30, 2009
(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, 2009 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 traded on the Toronto Stock Exchange under the symbol NTP.UN that delivers the return of a diversified portfolio of market-neutral hedge funds. As at June 30, 2009, the net asset value of the Trust per unit was \$2.35. For the six-month period ended June 30, 2009, the return of the Trust was 0.68% including distributions. During the same time period, the DEX Universe Bond Index returned 2.79%, the S&P/TSX Composite Index rose by 17.56% and the S&P 500 in U.S. dollar terms, rose by 3.16% which translates to a loss of 2.95% in Canadian dollar terms. The Trust made distributions of \$0.04 per unit during the period.

Overall, the return of the Trust in 2009 was disappointing from both an absolute return basis as well as from its lack of neutrality in respect of other asset class returns. Performance of all asset classes was impacted by the escalating uncertainty which surrounded the state of the global financial system. The Trust’s hedge fund investments were not immune to these stresses in the capital markets.

While the first half of 2009 has shown improvement in both the credit and equity markets as seen by tighter credit spreads and increased market liquidity, this has not translated into business as usual in the hedge fund industry. Many funds continue to restrict the return of capital through on-going restructurings and suspended redemptions and this has impacted our ability to liquidate the portfolio as originally set out when the Trust was launched in 2005. Where liquidity has been available, we have redeemed the capital in advance of the scheduled termination date of the Trust on December 31, 2009 (the “Termination Date”) and this orderly windup remains the primary objective for the second half of 2009.

Based on current market conditions, we anticipate that due to liquidity constraints imposed by many of the underlying hedge funds it is likely that the Trust will continue to exist and be winding down its operations beyond the Termination Date.

As of June 30, 2009 approximately 85% of the Trust will continue to have exposure to underlying hedge funds market movements. Based on the most recent information available to us, we anticipate that approximately 71% of the Trust (representing 15 hedge funds) may be subject to restrictions on liquidity that could extend beyond the Termination Date.



PAUL ROBSON, CFA
President
Northwater Capital Management Inc.



DAVID S. FINCH, CFA
Managing Director
Northwater Capital Management Inc.

August 20, 2009

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 unaudited financial statements of the Trust for the six-month period ended June 30, 2009 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, Brookfield 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.

The Trust 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.

Investment Objectives and Strategies

The original investment objectives listed in the Trust's prospectus are consistent with the existing portfolio holdings, however the current primary objective of the Trust is the maximization of value and return of capital through the orderly liquidation of the underlying investments. The market events of the last quarter of 2008 negatively impacted the Trust's ability to meet its original objectives and these events continue to create challenges in the current environment. These market events have also negatively impacted the Trust's ability to liquidate the underlying investments in the portfolio of hedge funds (the "Hedge Fund Portfolio") held by Enhancement Fund Limited (the "Fund"), a Cayman corporation to which the Trust has exposure.

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 Fund. In order to facilitate obtaining the exposure to the Hedge Fund Portfolio through the Forward, the Trust borrowed approximately 10% of the net proceeds of its offering to invest in a portfolio of common shares of Canadian public companies ("Common Share Portfolio"), which has then been sold under the Forward to the Counterparty. Under the Forward, the Common Share Portfolio is exchanged for the return of the Fund. 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 in the value of the income trusts.

The target exposure to the Fund is equal to 100% of the net assets of the Trust. As at June 30, 2009, the actual exposure was 95%. The Trust is required to take action to reduce leverage if this exposure exceeds 120%. Such actions were taken and implemented in January 2009.

Risks

The reduction of leverage has reduced the overall risk of the Trust in 2009. However, there were also risk impacts from the decreased diversification from the reduced number of hedge fund investments and the liquidity restrictions imposed by many of the underlying hedge fund managers.

The change in the risk characteristics of the Trust reflects the magnitude of the stress felt across the entire financial system in late 2008 and 2009.

Diversification across managers was not sufficient to avoid the overwhelming negative impact from the industry wide deleveraging. The 24 month volatility in the underlying managers (as expressed by standard deviation) rose to 18.30% versus the 2008 level of 9.12%.

The similarity of manager returns (average correlation between hedge funds), which had historically been very low and stable, continued to be high in 2009 which is reflective of the illiquidity of the investment in the underlying hedge funds and reduced portfolio diversification.

Many of the trading strategies employed by hedge funds depend on functional financial markets, including the ability of managers to enter into short positions. Hedge funds have not only suffered losses as a result of the stress felt in the markets, including the difficulty encountered in maintaining short positions, but also because of the liquidity freeze experienced in many markets. Certain of the managers have been unable to sell assets to prevent additional losses or fund investor redemptions. Continuing illiquidity has caused numerous underlying hedge funds held by the Trust to invoke various restrictions on redemptions including, without limitation, restricting redemptions to a limited percentage of the aggregate net asset value of such underlying hedge funds, the temporary suspension of redemptions altogether, or the commencement of a controlled liquidation and wind-up of the underlying hedge funds' business.

Based on current market conditions, the Manager anticipates that due to liquidity constraints in the Hedge fund Portfolio it is likely that the Trust will continue to exist and be winding down its operations beyond the scheduled December 31, 2009 termination date (the "Termination Date") of the Trust.

As of June 30, 2009, approximately 85% of the Trust will continue to have exposure to underlying hedge fund market movements. Based on the most recent information that the Manager had available to it, the Manager anticipates that approximately 71% of the Trust (representing 15 hedge funds) may be subject to restrictions on liquidity that could extend beyond the Termination Date.

At December 31, 2008, the Investment Advisor submitted redemption requests to all the underlying hedge funds in the Hedge Fund Portfolio in anticipation of the Termination Date. No new investments were made in the six-month period ended June 30, 2009.

The following table shows the estimated payout timeline of redemption proceeds from the underlying hedge fund managers in the Hedge Fund Portfolio based on the information the Investment Advisor had available to it as of the date hereof:

Payments of redemptions expected in 2009, classified by status of the hedge funds being redeemed from:

	Amount (USD\$)	% of Hedge Fund Portfolio as at December 31, 2008
Liquidating	389,606	17%

Payments of redemptions expected beyond 2009, classified by status of the hedge funds being redeemed from:

	Amount (USD\$)	% of Hedge Fund Portfolio as at December 31, 2008
Restricted redemptions ⁽¹⁾	368,670	16%
Liquidating	1,492,945	67%
	1,861,615	83%

(1) Restricted redemptions category includes situation where the manager has placed some form of restriction on the redemption request, including suspending redemptions, enforcing gates on redemption or restructuring the fund, to for example, create a liquidating share class

The detailed risks of investing in the Fund are listed in the Fund's prospectus. A copy of the prospectus of the Fund is available by visiting the SEDAR website at www.sedar.com.

Results of Operations

For the six-month period ended June 30, 2009, the Trust posted a return of 0.68% taking into account distributions made during the period. Distributions during the period totaled \$63,095 or \$0.04 per Unit.

Income Trust Portfolio Performance

During the six-month period ended June 30, 2009, three of the Trust's four main income trust sectors posted positive returns, not considering distributions received from the income trusts, (with the energy trust sector posting the weakest results with a loss for the period.) The S&P Capped Income Trust index posted a return inclusive of reinvested distributions of 14.50% during this period.

The following table presents the total realized and unrealized gains and losses by income trust sector for the six-month period ended June 30, 2009 and 2008.

Trust Sector	Six-month period ended June 30	
	2009	2008
Business trusts	\$ 4,318	\$ (658,527)
Energy trusts	(27,503)	1,727,977
Power & pipeline trusts	31,153	(32,227)
Real estate investment trusts	14,827	(121,510)

While the equity markets remained volatile in the first half of 2009, government stimulus and ample liquidity worldwide contributed to a stabilization in economic indicators and market sentiment. In the second quarter in particular, the equity markets rallied significantly on positive earnings surprises and stronger than expected manufacturing and economic data. However, lingering concerns regarding the sustainability of the recovery remained, given continued weakness in U.S. consumer spending. Overall, the outlook remained optimistic and these broadly positive economic themes were reflected in the positive performance of the portfolio of income trusts held by the Trust.

Hedge Fund Portfolio Performance

For the six-month period ended June 30, 2009, the Fund's return was -0.33% (USD return). All of the investments in the Fund are currently constrained in providing liquidity to their investors. As such, many of the negative returns are reflective of the illiquidity of these investments. Positive returns from both asset-backed and multi-strategy investments demonstrate our current experience of the liquidity coming back to the underlying investments and a rebound in the negative mark-to-market of 2008.

The following table presents the USD return by investment strategy held in the Fund for the six-month period ended June 30, 2009 and 2008 for the Fund:

Trust Sector	Six-month period ended June 30	
	2009	2008
Activist investments	–	(9.40)%
Asset-backed securities arbitrage	15.18%	6.49%
Distressed securities arbitrage	(16.05)%	(3.49)%
Fixed-income arbitrage	(3.29)%	(13.56)%
Mortgage-backed security arbitrage	(1.22)%	(1.98)%
Multi-strategy	5.32%	2.86%
Re-insurance arbitrage	(2.97)%	1.69%
Statistical arbitrage	(57.94)%	7.40%
Structured finance	(1.87)%	–

The Trust had borrowings in the amount of \$nil as at June 30, 2009.

The Trust purchased 78,400 units under its repurchase and cancellation programs at a cost of \$114,159 resulting in a contribution of 1.74% to the overall return of the Trust.

Summary of Investment Portfolio

As described in the Investment Strategies section of this report, the initial strategy of the Trust was to provide unitholders with (i) 100% exposure to an equally-weighted portfolio of the largest 75 income trusts listed on the Toronto Stock Exchange ranked by market capitalization plus (ii) an additional 100% exposure to a broadly diversified portfolio of market-neutral hedge funds through Enhancement Fund Limited (“Fund”). The Trust directly holds the income trust portfolio. The Trust does not invest directly in the Fund, rather the net return of the Fund is provided to it through a Forward Agreement with a major Canadian financial institution. Under the Forward Agreement the counterparty provides the Trust with a return of the Fund in exchange for receiving the return of non-dividend paying Canadian common shares that it has acquired and then has sold forward. Because the non-dividend paying Canadian common shares are sold forward, the Trust has no real exposure to them.

As previously described, the Trust’s current objective is to implement an orderly wind-up of the Trust’s investments in anticipation of the Termination Date.

The following sections describe in more detail the two aspects of the Trust’s investment portfolio: the income trust portfolio and the exposure to the Hedge Fund Portfolio obtained through the Forward.

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, 2009 is set out in the Statement of Investment Portfolio. As at June 30, 2009, 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.

Asset Allocation by Trust Sector

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

Income Trust Portfolio Exposure

Trust Sector	As at June 30, 2009		As at December 31, 2008			
	No. of Income Trusts	Fair Value	No. of Income Trusts	Fair Value		
Business trusts	22	\$ 857,678	29%	28	\$ 1,835,070	37%
Energy trusts	26	1,007,291	35%	26	1,774,090	36%
Power & pipeline trusts	10	393,784	14%	7	450,714	9%
Real estate investment trusts ..	17	649,304	22%	14	880,735	18%
	75	\$ 2,908,057	100%	75	\$ 4,940,609	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, 2009 and December 31, 2008.

Trust Sector	As at June 30, 2009	As at December 31, 2008
Business trusts	1.46%	2.26%
Energy trusts	1.41%	2.78%
Power & pipeline trusts	1.40%	1.97%
Real estate investment trusts	1.28%	1.94%

The following table lists the largest 25 income trusts by fair value held by the Trust as at June 30, 2009.

Top 25 Income Trust Investments	Type of Investment	Cost	Fair Value	Fair Value as a % of Net Assets
Bird Construction Income Fund	Trust Units	\$28,692	\$44,730	1.46%
Westshore Terminals Income Fund	Trust Units	50,523	43,814	1.43%
NAL Oil & Gas Trust	Trust Units	64,226	43,102	1.41%
Great Lakes Hydro Income Fund	Trust Units	53,534	42,714	1.40%
Morneau Sobeco Income Fund	Trust Units	46,200	42,630	1.39%
Enerplus Resources Fund	Trust Units	74,529	42,143	1.38%
Enerflex Systems Income Fund	Trust Units	46,699	42,025	1.37%
Vicwest Income Fund	Trust Units	45,357	41,964	1.37%
Gas Metro Limited Partnership	Trust Units	62,321	41,720	1.36%
CML Healthcare Income Fund	Trust Units	45,075	41,679	1.36%
Bonavista Energy Trust	Trust Units	70,748	41,354	1.35%
Northland Power Income Fund	Trust Units	60,197	41,076	1.34%
Provident Energy Trust	Trust Units	87,973	40,754	1.33%
Liquor Stores Income Fund	Trust Units	73,346	40,641	1.33%
Wajax Income Fund	Trust Units	39,653	40,175	1.31%
Peyto Energy Trust	Trust Units	104,027	40,119	1.31%
Trilogy Energy Trust	Trust Units	108,146	39,600	1.29%
Epcor Power LP	Trust Units	92,113	39,546	1.29%
Cineplex Galaxy Income Fund	Trust Units	43,841	39,325	1.28%
H&R Real Estate Investment Trust	Trust Units	69,911	39,240	1.28%
Davis + Henderson Income Fund	Trust Units	67,049	39,168	1.28%
North West Company Fund	Trust Units	42,695	39,130	1.28%
Crombie Real Estate Investment Trust	Trust Units	33,544	39,120	1.28%
Canadian Real Estate Investment Trust ...	Trust Units	30,464	39,104	1.28%
Baytex Engery Trust	Trust Units	29,360	39,040	1.28%

Hedge Funds

The Trust has obtained exposure to the Hedge Fund Portfolio through the Forward. As at June 30, 2009, the notional values of the forward were CAD\$1,871,724 and USD\$3,285,168 and the net assets of the Fund were USD\$2,501,051. The Hedge Fund Portfolio emphasized sectors of the capital markets that the Investment Advisor believed were relatively inefficient or presented opportunities to generate uncorrelated returns.

The current Hedge Fund Portfolio is in the process of being liquidated in anticipation of the wind-up of the Trust and activities have focused around this liquidation.

During the six-month period ended June 30, 2009, the Fund redeemed from eight hedge funds (consisting of one reinsurance fund, one asset-backed securities, one multi-strategy, one mortgage-backed fund, one activist investment fund, one statistical arbitrage fund and two fixed income arbitrage fund), (six-month period ended June 30, 2008: the Fund redeemed from four hedge funds consisting of two structured finance funds, one relative energy fund and one distressed securities fund).

The Investment Advisor believes that the number of hedge funds and managers will continue to decrease over time as the trust pursues an orderly wind-up of its operations.

As at period end, the portfolio composition reflects the Manager's actions in liquidating the Hedge Fund Portfolio. As no new funds were added to the Hedge Fund Portfolio, the asset allocation changes are a function of the market move and the liquidations of specific managers. Redemptions have been submitted for the remaining hedge funds in anticipation of the Termination Date.

Asset Allocation by Hedge Fund Investment Strategy

The following table shows the hedge fund holdings by strategy as at June 30, 2009 and December 31, 2008. 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

Strategy	As at June 30, 2009		As at December 31, 2008			
	No. of Hedge Funds	Fair Value (in USD\$)	No. of Hedge Funds	Fair Value (in USD\$)		
Activist investments	—	—	—	1	\$532,392	9%
Asset-backed securities arbitrage	1	\$41,732	2%	2	392,981	7%
Distressed securities arbitrage	1	77,301	3%	1	92,079	2%
Fixed-income arbitrage	1	26,336	1%	3	445,802	8%
Mortgage-backed security arbitrage	3	902,004	40%	4	1,449,421	25%
Multi-strategy	5	816,556	36%	6	1,490,007	25%
Re-insurance arbitrage	1	16,228	1%	2	388,057	6%
Structured finance	1	362,894	16%	1	369,826	6%
Statistical arbitrage	2	8,170	1%	3	693,763	12%
	15	\$2,251,221	100%	23	\$5,854,328	100%

The following table illustrates the largest hedge fund holdings by strategy of the Fund as at June 30 2009 and December 31, 2008. The Fund's multi-strategy hedge funds have not been allocated to the various hedge fund strategies to reflect their exposure to their constituent strategies. Strategy weights are dynamic and may change from year to year.

Strategy	As at June 30, 2009	As at December 31, 2008
Activist investments	—	8.42%
Asset-backed securities arbitrage	1.67%	4.60%
Distressed securities arbitrage	3.09%	1.46%
Fixed-income arbitrage	1.05%	3.21%
Mortgage-backed security arbitrage	17.26%	7.49%
Multi-strategy	14.74%	5.92%
Re-insurance arbitrage	0.41%	4.90%
Structured finance	14.51%	5.85%
Statistical arbitrage	0.24%	6.78%

The following table lists the all hedge funds held by the Fund by fair value as June 30, 2009. The Fund will disclose the names of those hedge funds that it holds that represent more than 5% of the net assets of the Fund at the end of the period. For hedge funds that represent less than 5% of the Fund's net assets, the Fund has adopted unique fund numbers as identifiers. These numbers are used consistently in its reporting by the Fund.

Hedge Fund	Investments	Type of Investment	Cost (in USD\$)	Fair Value (in USD\$)	Fair Value as a % of Net Assets
Sorin Offshore Fund*	Participating Shares	\$450,000	\$431,662	16.39%
H/2 Credit Partners Ltd.*	Participating Shares	500,000	391,729	14.87%
Citadal Kensington Global Strategies Fund, Ltd.*	Participating Shares	600,000	368,670	14.00%
D.B. Zwirn Special Opportunity Fund, Ltd.*	...	Voting shares and capital balance	544,000	362,894	13.78%
Satellite Overseas Fund, Ltd.*	Participating Shares	489,323	294,445	11.18%
Fund 183*	Participating Shares	83,061	84,681	3.21%
Fund 103*	Participating Shares	154,308	78,613	2.98%
Fund 212*	Participating Shares	-	77,301	2.93%
Fund 171*	Participating Shares	46,586	41,732	1.58%
Fund 118*	Participating Shares	43,936	40,340	1.53%
Fund 146*	Participating Shares	42,139	28,420	1.08%
Fund 191*	Participating Shares	100,936	26,336	1.00%
Fund 195*	Participating Shares	15,134	16,228	0.62%
Fund 211*	Participating Shares	7,138	5,950	0.23%
Fund 104*	Participating Shares	10,789	2,220	0.08%
			<u>\$3,087,350</u>	<u>\$2,251,221</u>	

* Held by other investment funds managed or advised by Northwater Fund Management Inc. or advised by Northwater Capital 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 44,251 shares in Gildan Activewear Inc, 48,628 shares in Rona Inc, 62,716 shares in Viterra Inc. and 45,716 shares in Westjet Airlines Ltd. as at June 30, 2009. The market values of these shares as a percentage of the net assets of the Trust are 24.78%, 20.19%, 20.68% and 15.28% as at June 30, 2009, respectively. The Trust does not have economic exposure to these holdings 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 six-month period ended June 30, 2009 and the years ended December 31, 2008, 2007 and 2006 and for the period from February 25, 2005 to December 31, 2005. 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.

The Trust's Net Assets per Unit

	For the				
	For the six-month period ended June 30 2009	For the year ended December 31			
	2009	2008	2007	2006	2005
Net assets, beginning of period	\$2.37	\$8.31	\$8.85	\$9.77	\$9.325
Increase (decrease) from operations:					
Total revenue	0.15	0.72	0.77	0.87	0.70
Total expenses	(0.11)	(0.28)	(0.28)	(0.23)	(0.16)
Realized gains (losses) for the period	(1.52)	(1.37)	0.46	0.32	0.07
Unrealized gains (losses) for the period	1.46	(3.56)	(0.33)	(0.90)	1.74
Total increase (decrease) from operations ⁽¹⁾	(0.02)	(4.49)	0.62	0.06	1.23
Distributions ⁽²⁾ :	0.04	0.90	0.96	0.96	0.80
Net Assets, at end of period ⁽³⁾	\$2.35	\$2.37	\$8.31	\$8.85	\$9.77

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

(2) Distributions were paid in cash.

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

Ratios and Supplemental Data

	For the six-month period ended June 30	For the year ended December 31			February 25 to December 31, 2005
	2009	2008	2007	2006	2005
Total net assets ('000's) ⁽¹⁾	\$3,061	\$3,845	\$17,030	\$22,600	\$31,038
Number of units outstanding ⁽¹⁾	1,301,933	1,610,086	2,041,136	2,555,090	3,177,200
Management expense ratio ⁽²⁾	15.54%	11.73%	9.05%	7.15%	14.63%
Management expense ratio before waivers or absorptions	15.54%	11.73%	9.05%	7.15%	14.63%
Portfolio turnover rate ⁽³⁾	11.99%	23.43%	21.26%	28.12%	15.23%
Trading expense ratio ⁽⁴⁾	0.70%	0.44%	0.12%	0.13%	0.33%
Closing market price, end of period	\$1.28	\$1.85	\$6.99	\$7.91	\$8.55

(1) This information is provided as at June 30, 2009 and 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 the six-month period ended June 30, 2009 added 7.62%, the year ended December 31, 2008 added 7.62%, 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 years 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 year. Performance fees incurred by the underlying hedge funds can vary significantly from year to year 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 year. Included in the management expense ratios for the year 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

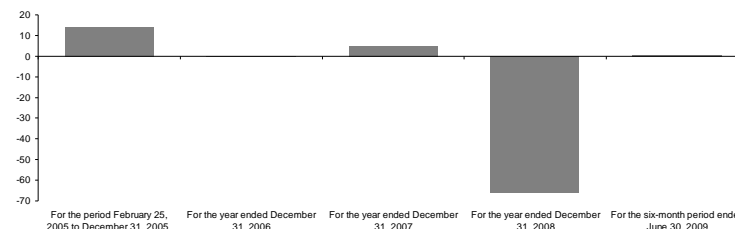
With respect to the following information in the "Past Performance" section of this report, please note the following:

- the performance information shown assumes that all distributions made by the Trust in the periods shown were reinvested in additional securities of the Trust;
- the performance information does not take into account sales, redemptions or other optional charges that would have reduced returns or performance; and
- 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:

- the bar chart shows the Trust's performance for each of the periods shown, and illustrates how the Trust's performance has changed from year to year; and
- 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. Substantially all of the management fee is applied to the provision of portfolio management and advisory services of the Manager.

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 six-month period ended June 30, 2009, the management fee and service fee expense were \$4,315 and \$6,601 respectively, and the management fee and service fee payable by the Trust as at June 30, 2009 was \$2,308 and \$3,806 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 process of valuing investments for which no published market exists is based upon the definitive or provisional net asset value of the hedge funds in the Hedge Fund Portfolio supplied by the administrators or managers of such underlying hedge funds. These values are net of the management fees and expenses to which the underlying hedge funds are subject.

The Trust's reported net asset value per unit is calculated and reported monthly. During the six-month period ended June 30, 2009, the reported net asset value of the Trust fluctuated between \$1.93 per unit and \$2.37 per unit (six-month period ended June 30, 2009: low of \$7.87 and a high of \$8.39), after taking into account distributions.

The market price for units of the Trust is determined by the actions of buyers and sellers in the market. During the six-month period ended June 30, 2009, the daily closing price of the units fluctuated between \$0.76 and \$2.02 (the six-month period ended June 30, 2008: low of \$6.46 and a high of \$7.50).

Distributions

During the six-month period ended June 30, 2009, the Trust made distributions totaling \$0.04 per unit (\$63,095 was distributed in aggregate) compared to \$0.48 per unit (\$964,993 in aggregate) during the six-month period ended June 30, 2008.

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 30, 2009	February 13, 2009	To be determined	\$0.02
February 27, 2009	March 13, 2009	To be determined	\$0.02

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.

During six-month period ended June 30, 2009, the Trust purchased 78,400 units for cancellation under this program at a cost of \$114,159 (for the year-ended December 31, 2008: 133,700 units at a cost of \$858,296).

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, 2009, 917,714 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 229,753 units were redeemed at the June 30, 2009 reported net asset value per unit of \$2.3663 for \$543,665 cash paid on July 21, 2009.

Potential Tax Implications of Wind-Up

The Manager currently anticipates commencing cash distributions (“Termination Distributions”) to investors effective as of December 31, 2009. Upon the commencement of the payment of Termination Distributions from the Trust, the percentage of a particular illiquid holding in relation to the trust’s assets is likely to exceed the 10% concentration limits required in order for the Trust to continue to qualify as a unit trust for Canadian income tax purposes. If and when the Trust fails to qualify as a unit trust it will no longer qualify as a mutual fund trust for Canadian income tax purposes and the trust will no longer be a “qualified investment” for registered accounts, including without limitation, RRIF’s RRSP’s and RESP’s. The Manager anticipates that the Trust will lose its “qualified investment” status for Canadian income tax purposes on or about December 31, 2009.

However, it is possible that the trust could lose its “qualified investment” status prior to December 31, 2009. The Manager will endeavour to provide investors with as much advance notice as reasonably possible if the Trust’s loss of its “qualified investment” status will occur prior to December 31, 2009. Investors are advised to speak with their advisors to obtain tax advice with respect to appropriate actions to take in respect of the failure of the trust to qualify as a mutual fund trust.

MANAGEMENT’S RESPONSIBILITY

The accompanying financial statements have been prepared by Northwater Fund Management Inc (the “Manager”), and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these 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.



Paul Robson, CFA
President

August 20, 2009



Shauna Cassidy, CFA
Vice-President

UNAUDITED FINANCIAL STATEMENTS

NORTHWATER TOP 75 INCOME TRUSTS ^{PLUS}

Statements of Net Assets
(unaudited)

	As at June 30 2009	As at December 31 2008
Assets		
Cash and short-term investments	\$1,792,454	\$1,002,360
Income trusts – at fair value (cost 2009: \$4,485,598; 2008: \$8,862,903)	2,908,057	4,940,609
Common shares – at fair value (cost 2009: \$2,320,522; 2008: \$1,871,584)	2,477,004	1,656,323
Third party asset-backed commercial paper (cost 2009: \$nil; 2008: \$300,000) (note 4)	–	159,000
Distribution receivable	31,896	77,596
Settlement receivable on currency futures	16,731	–
Settlement receivable on equity instruments	498,168	–
	<u>7,724,310</u>	<u>7,835,888</u>
Liabilities		
Audit, legal and custody fees payable	40,878	40,314
Service fees payable (note 5)	3,806	4,622
Management, advisory and trustee fees payable (note 5)	2,308	3,471
Unrealized loss on forward contract (note 6)	4,073,106	3,419,214
Unrealized loss on currency futures	–	27,616
Distribution payable (note 7)	–	32,202
Redemption payable (note 8)	543,665	–
Loan payable	–	496,807
	<u>4,663,763</u>	<u>4,024,246</u>
Net assets	<u>\$3,060,547</u>	<u>\$3,811,642</u>
Net assets and unitholders' equity (note 8)		
Unit capital	12,140,525	15,014,052
Contributed surplus	2,926,677	710,974
Deficit	(12,006,655)	(11,913,384)
	<u>\$3,060,547</u>	<u>\$3,811,642</u>
Number of units outstanding (note 8)	<u>1,301,933</u>	<u>1,610,086</u>
Net assets per unit	<u>\$2.35</u>	<u>\$2.37</u>

Signed on behalf of the Trustee,

Per: Paul Robson

Per: Hawal

NORTHWATER TOP 75 INCOME TRUSTS ^{PLUS}

Statements of Operations
(unaudited)

	For the six-month period ended June 30, 2009	For the six-month period ended June 30, 2008
Investment income		
Distributions	\$212,554	\$734,645
Interest	15,048	2,734
	<u>227,602</u>	<u>737,379</u>
Expenses		
Service fees (note 5)	6,601	34,004
Management and trustee fees (note 5)	4,315	21,352
Audit fees	58,674	30,919
Independent review committee fees (note 5)	9,126	11,351
Custodian fees	640	1,301
Legal fees	5,616	4,441
Security holder reporting costs	52,978	50,164
Administrative fees	7,631	5,017
Forward fees (note 6)	16,838	57,823
Loan interest	3,695	57,269
Transaction costs	4,088	4,426
	<u>170,202</u>	<u>278,067</u>
Net investment income	<u>57,400</u>	<u>459,312</u>
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on:		
Income trusts	(2,298,025)	(522,434)
Common shares	448,938	68,397
Currency futures	(243,420)	(14,283)
Third party asset-backed commercial paper	(141,000)	–
Bond instruments	(102,020)	–
Change in unrealized appreciation (depreciation) on:		
Income trusts	2,344,753	1,438,147
Common shares	371,743	(357,223)
Third party asset-backed commercial paper	141,000	(42,000)
Forward contract	(653,892)	(171,671)
Currency futures	44,347	5,304
Realized and unrealized gain (loss) on investments for the period	<u>\$ (87,576)</u>	<u>\$ 404,237</u>
Increase (decrease) in net assets from operations for the period	<u>\$ (30,176)</u>	<u>\$ 863,549</u>
Increase (decrease) in net assets from operations per unit for the period *	<u>\$(0.02)</u>	<u>\$ 0.44</u>

* Based on the average number of units outstanding of 1,532,036 (2008 – 2,805,053) for the period.

NORTHWATER TOP 75 INCOME TRUSTS ^{PLUS}

Statements of Change in Net Assets
(unaudited)

	For the six-month period ended June 30	
	2009	2008
Net assets – beginning of the period	\$3,811,642	\$16,964,380
Increase (decrease) in net assets from operations for the year	(30,176)	863,549
Unit transactions (note 8)		
Net assets of units repurchased and cancelled	(114,159)	(421,234)
Net assets of units redeemed	(543,665)	(2,481,981)
	(657,824)	(2,903,215)
Distribution to unitholders (note 7)	(63,095)	(964,993)
Net assets – end of the period	\$3,060,547	\$13,959,721

NORTHWATER TOP 75 INCOME TRUSTS ^{PLUS}

Statements of Cash Flows
(unaudited)

	For the six-month period ended June 30	
	2009	2008
Cash flows from operating activities		
Increase in net assets from operations for the period	\$(30,176)	\$863,549
Items not affecting cash:		
Change in unrealized depreciation (appreciation) on income trusts	(2,344,753)	(1,438,147)
Change in unrealized depreciation (appreciation) on common shares	(371,743)	(357,223)
Change in unrealized depreciation (appreciation) on third party asset-backed commercial paper	(141,000)	42,000
Change in unrealized depreciation (appreciation) on forward contract	653,892	171,671
Change in unrealized depreciation (appreciation) on futures contract	(44,347)	(5,304)
Realized loss (gain) on income trusts	2,298,025	522,434
Realized loss (gain) on common shares	(448,938)	(68,397)
Realized loss (gain) on third party asset-backed commercial paper	141,000	–
Realized loss (gain) on bonds	102,020	–
Realized interest on bonds	(395)	–
Changes in non-cash working capital:		
Change in payables	542,250	2,448,675
Change in receivables	(452,468)	11,365
Purchase of income trusts	(703,571)	(3,298,438)
Purchase of common shares	(2,320,522)	–
Purchase of bonds	(159,000)	–
Proceeds on sale of income trusts	2,782,851	3,943,817
Proceeds on sale of common shares	2,320,522	398,537
Proceeds on sale of third party asset-backed commercial paper	159,000	–
Proceeds on sale of bonds	57,375	–
	2,040,022	3,948,985
Cash flows from financing activities		
Advance on (repayment of) loan	(496,807)	11,666
Repurchase of Trust units	(114,159)	(421,234)
Distributions paid to Trust unitholders	(95,297)	(968,337)
Redemption of Trust units	(543,665)	(2,481,981)
	(1,249,928)	3,859,886
Net increase (decrease) in cash and short-term investments	790,094	89,099
Cash and short-term investments at the beginning of the period	1,002,360	352,986
Cash and short-term investments at the end of the period	\$1,792,454	\$ 442,085
Supplementary information:		
Interest paid	\$86,221	\$49,050

NORTHWATER TOP 75 INCOME TRUSTS ^{PLUS}

Statements of Investment Portfolio

(unaudited)

As at June 30, 2009

	No. of Shares / Units	Cost	Fair Value	Fair Value as a % of Net Assets
Income trust portfolio				
Advantage Energy Income Fund	7,600	\$105,022	\$37,240	1.22%
Algonquin Power Income Fund	11,200	114,914	38,192	1.25%
Allied Properties Real Estate Investment Trust	2,600	54,076	38,350	1.25%
AltaGas Income Trust	2,400	59,808	38,496	1.26%
ARC Energy Trust	2,200	42,081	38,962	1.27%
Armtec Infrastructure Income Fund	2,100	47,312	37,170	1.21%
Artis Real Estate Investment Trust	4,800	35,520	38,304	1.25%
Avenir Diversified Income Trust	9,200	46,035	33,764	1.10%
Badger Income Fund	3,200	44,896	38,080	1.24%
Baytex Energy Trust	2,000	29,360	39,040	1.28%
Bell Aliant Regional Communications Income Fund	1,400	39,186	36,848	1.20%
Bird Construction Income Fund	1,800	28,692	44,730	1.46%
Boardwalk Real Estate Investment Trust	1,200	25,088	38,796	1.27%
Borex Power Income Fund	2,300	70,748	41,354	1.35%
Bonavista Energy Trust	9,500	37,854	38,000	1.24%
Calloway Real Estate Investment Trust	3,000	58,018	38,160	1.25%
Canadian Apartment Properties REIT	2,829	42,690	37,767	1.23%
Canadian Oil Sands Trust	1,350	22,087	37,517	1.23%
Canadian Real Estate Investment Trust	1,600	30,464	39,104	1.28%
Cathedral Energy Services Income Trust	10,600	44,520	38,478	1.26%
Chartwell Seniors Housing REIT	7,000	96,170	37,590	1.23%
Chemtrade Logistics Income Fund	5,000	73,875	37,100	1.21%
Cinplex Galaxy Income Fund	2,500	43,841	39,325	1.28%
CML Healthcare Income Fund	3,300	45,075	41,679	1.36%
Cominar Real Estate Investment Trust	2,500	46,455	38,325	1.25%
Consumers' Waterheater Income Fund (The)	5,800	90,651	36,598	1.20%
Crescent Point Energy Trust	1,100	21,877	37,708	1.23%
Crombie Real Estate Investment Trust	4,800	33,544	39,120	1.28%

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

	No. of Shares / Units	Cost	Fair Value	Fair Value as a % of Net Assets
Davis + Henderson Income Fund	3,200	\$67,049	\$39,168	1.28%
Daylight Resources Trust	5,201	74,048	38,331	1.25%
Dundee Real Estate Investment Trust	2,500	97,446	37,525	1.23%
Enbridge Income Fund	3,400	34,952	38,726	1.27%
Enerflex Systems Income Fund	4,100	46,699	42,025	1.37%
Enerplus Resources Fund	1,677	74,529	42,143	1.38%
Epcor Power LP	2,600	92,113	39,546	1.29%
Extencare Real Estate Investment Trust	6,100	106,428	37,698	1.23%
Fort Chicago Energy Partners L.P.	4,600	55,218	38,916	1.27%
Freehold Royalty Trust	2,700	47,436	37,098	1.21%
Gaz Metro Limited Partnership	2,800	62,321	41,720	1.36%
Genivar Income Fund	1,500	30,945	38,805	1.27%
Great Lakes Hydro Income Fund	2,700	53,534	42,714	1.40%
H&R Real Estate Investment Trust	3,600	69,911	39,240	1.28%
Harvest Energy Trust	5,347	157,081	33,847	1.11%
Innergex Power Income Fund	3,800	34,586	38,000	1.24%
InnVest Real Estate Investment Trust	9,600	114,189	37,824	1.24%
Inter Pipeline Fund	4,400	41,224	38,324	1.25%
Jazz Air Income Fund	9,900	76,517	32,472	1.06%
Just Energy Income Fund	3,386	53,948	38,194	1.25%
Keyera Facilities Income Fund	1,900	29,612	37,696	1.23%
Labrador Iron Ore Royalty Income Fund	1,200	32,528	37,896	1.24%
Liquor Stores Income Fund	3,100	73,346	40,641	1.33%
Macquarie Power & Infrastructure Income Fund	5,600	47,595	37,576	1.23%
Morguard Real Estate Investment Trust	4,000	61,954	38,680	1.26%
Morneau Sobeco Income Fund	4,900	46,200	42,630	1.39%
NAL Oil & Gas Trust	4,600	64,226	43,102	1.41%
North West Company Fund	2,600	42,695	39,130	1.28%
Northern Property Real Estate Investment Trust	2,000	40,747	37,120	1.21%
Northland Power Income Fund	4,200	60,197	41,076	1.34%
Paramount Energy Trust	8,200	116,457	37,392	1.22%
Parkland Income Fund	4,145	70,590	37,927	1.24%
Pembina Pipeline Income Fund	2,600	36,686	38,636	1.26%
Penn West Energy Trust	2,573	76,092	38,055	1.24%
Peyto Energy Trust	4,300	104,027	40,119	1.31%
Precision Drilling Trust	6,700	110,274	37,453	1.23%
Primaris Retail Real Estate Investment Trust	3,200	44,517	37,600	1.23%

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

	No. of Shares / Units	Cost	Fair Value	Fair Value as a % of Net Assets
Provident Energy Trust	7,100	\$87,973	\$40,754	1.33%
Riocan Real Estate Investment Trust	2,500	47,096	38,100	1.24%
Rogers Sugar Income Fund	10,500	42,330	38,955	1.27%
Trilogy Energy Trust	6,600	108,146	39,600	1.29%
Vermilion Energy Trust	1,300	29,481	37,725	1.24%
Vicwest Income Fund	3,900	45,357	41,964	1.37%
WaJax Income Fund	2,500	39,653	40,175	1.31%
Westshore Terminals Income Fund	3,800	50,523	43,814	1.43%
Yellow Pages Income Fund	7,155	99,862	38,208	1.25%
Zargon Energy Trust	2,400	57,403	37,920	1.24%
Income trust portfolio		\$4,485,598	\$2,908,057	95.00%
Common share portfolio				
Gildan Activewear Inc ⁽¹⁾	44,251	\$580,131	\$758,462	24.78%
RONA Inc ⁽¹⁾	48,628	580,132	618,062	20.19%
Viterra Inc ⁽¹⁾	62,716	580,123	632,805	20.68%
Westjet Airlines Ltd ⁽¹⁾	45,716	580,136	467,675	15.28%
Common share portfolio		\$2,320,522	\$2,477,004	80.93%
Cash		\$1,792,454	\$1,792,454	58.57%
Total investment portfolio		\$8,598,573	\$7,177,515	234.50%
Other net assets			\$(4,116,968)	(134.50)%
Total net assets and unitholders' equity			\$3,060,547	100%

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

Schedule 1 – Currency futures contracts:

	Price	Notional contract value	Settlement receivable (receivable) on futures contracts
36 Canadian Dollar Futures	USD \$ 86.10	USD \$(3,099,600)	
Contract – September 2009, held short		<u>CAD \$(3,601,425)</u>	CAD \$16,731

NORTHWATER TOP 75 INCOME TRUSTS^{PLUS}

Notes to Financial Statements

(unaudited)

For the six-month period ended June 30, 2009 and 2008

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 (the "Trustee") acts as Trustee of the Trust and RBC Dexia Investor Services Trust ("RBC Dexia") acts as Custodian for the Trust. Northwater Fund Management Inc. ("the "Manager") also acts as manager of the Trust. Northwater Capital Management Inc. acts as investment advisor (the "Investment Advisor"). The Trust began operations on February 25, 2005.

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 portfolio of income trusts plus the return of a portfolio of market-neutral hedge funds (the "Hedge Fund Portfolio").

The Trust has commenced the process of winding up its operations and is scheduled to terminate on or about December 31, 2009, (the "Termination Date"). Based on the information available to it as of June 30, 2009, the Investment Advisor anticipates that approximately 60% of the Trust may be subject to restrictions on liquidity that could extend beyond the Termination Date. The Manager anticipates that net assets will begin to be distributed pro-rata to unitholder around December 31, 2009. Based on the current market conditions, the Investment Advisor anticipates that it is likely that the Trust will continue to exist beyond the scheduled Termination Date as it pursues an orderly liquidation and wind down of its operations.

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.

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 is the gain or loss, if any, that would be realized if, on the Valuation Date, the Forward 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 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 the Fund 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 Manager or Investment Advisor may, in its sole discretion, use a different valuation methodology, to price the underlying hedge funds, that in the opinion of the Manager or Investment Advisor, is more reflective of fair value.

The third party asset-backed commercial paper ("ABCP") was valued at fair value as determined by the Investment Advisor. The restructured notes were sold on April 2, 2009. 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.

(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 year. 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, liquidity 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.

With the exception of the impact on diversification from the reduced number of hedge fund investments and the illiquidity of the underlying hedge fund investments due to the extremely unfavorable market conditions over the past several months, no material changes affecting the overall risk of investing in the Fund were made by the Investment Advisor in the six-month period ended June 30, 2009. In addition, the hedge fund industry, like other market participants has been subject to unprecedented turmoil in the markets due to the 2008 credit crisis and this has had both an impact on the returns and the volatility the Fund has experience in late 2008 and 2009.

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 22.71%. If the value of the portfolio were to change by this amount the impact on the net assets of the Trust would be \$662,647.

In addition, the Trust invests in Canadian publicly traded common shares and through the Forward 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

Strategy	As at June 30, 2009			As at December 31, 2008		
	No. of Income Trusts	Fair Value		No. of Income Trusts	Fair Value	
Business trusts	22	\$857,678	29%	28	\$ 1,835,070	37%
Energy trusts	26	1,007,291	35%	26	1,774,090	36%
Power & pipeline trusts	10	393,784	14%	7	450,714	9%
Real estate investment trusts	17	649,304	22%	14	880,735	18%
	<u>75</u>	<u>\$2,908,057</u>	<u>100%</u>	<u>75</u>	<u>\$ 4,940,609</u>	<u>100%</u>

The Trust is exposed through the Forward 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 impact on net assets of the Trust, based on a change in the strategy's returns, as approximated by that strategy's standard deviation, as at June 30, 2009, is included in the following table.

Strategy	Potential change in strategy return* (%)	Impact on net assets (USD\$)
Asset-backed securities arbitrage	11.99%	5,002
Distressed securities arbitrage	9.91%	7,662
Fixed-income arbitrage	28.41%	7,481
Mortgage-backed security arbitrage	10.74%	96,876
Multi-strategy	17.29%	141,202
Re-insurance arbitrage	4.89%	793
Statistical arbitrage	39.14%	31,197
Structured finance	22.02%	79,908

* Potential change in strategy return is based on standard deviation for each strategy as measured over the past 24 months for hedge funds in the Hedge Fund Portfolio as at June 30, 2009.

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 the Forward, 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.

As at June 30, 2009, the impact on net assets per 1% change in the Canadian dollar would have been \$837.

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 the Forward 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 was available to provide liquidity within certain contracted restrictions. This facility was terminated on February 21, 2009.

In addition, the Hedge Fund Portfolio is diversified and managed considering the Termination Date.

To mitigate liquidity risk, the Hedge Fund Portfolio had been diversified across different managers and strategies. However, due to the ongoing credit crisis, many of the trading strategies employed by hedge funds, which depend on functional financial markets, including the ability of managers to enter into short positions, have suffered losses not only due to market movements, but also due to liquidity constraints. Certain of the managers have been unable to sell assets to prevent additional losses or fund investor redemptions. Continuing illiquidity has caused numerous underlying hedge funds held by the Fund to invoke various restrictions on redemptions including, without limitation restricting redemptions to a limited percentage of the aggregate net asset value of such underlying hedge funds (invoking gates), the temporary suspension of redemptions altogether, or the commencement of a controlled liquidation and wind-up of the underlying hedge funds' business.

The Investment Advisor has been managing the Fund's portfolio taking into account the Fund's Termination Date. As such, as of December 31, 2008, the Investment Advisor submitted redemption requests to all of the underlying hedge funds. No new investments were made in the six-month period ended June 30, 2009.

The value of total redemption requests made prior to June 30, 2009, broken out by effective date of redemption, are included in the table below:

Effective date of redemption	% of total hedge fund held	Amounts (USD\$) to be received subsequent to June 30, 2009
January 1, 2008	18%	404,625
April 1, 2008	4%	79,522
July 1, 2008	3%	78,613
October 1, 2008	2%	40,340
January 1, 2009	60%	1,353,675
March 1, 2009	13%	294,444
	100%	2,251,221

The following table shows the estimated payout timeline of redemption proceeds from the underlying hedge fund managers:

Payments of redemptions expected in 2009, classified by status of the funds being redeemed from as:

	Amount (USD\$)	% of Hedge Fund Portfolio
Liquidating	389,606	17%

Payments of redemptions expected beyond 2009, classified by status of the funds being redeemed from:

	Amount (USD\$)	% of Hedge Fund Portfolio
Restricted redemptions ⁽¹⁾	368,670	16%
Liquidating	1,492,945	67%
	1,861,615	83%

(1) Restricted redemptions category includes situations where the manager has placed some form of restriction on the redemption request, including suspending redemptions, enforcing gates on redemption or restructuring the fund, to for example, create a liquidating share class.

The receipt of redemption proceeds by the Fund could extend beyond the scheduled Termination Date and hence impact the ultimate distribution of the assets to unitholder.

The Fund has hedge fund redemption receivables of USD\$51,380 as at June 30, 2009. The Fund is exposed to liquidity risk as these amounts may not be realized (collected) for an extended period of time. As at June 30, 2009 the hedge fund receivable aging was as follows:

	< 60 days	61-90 days	91 -120 days	> 120 days	Total
Hedge Fund Redemptions Receivable (in USD\$)	\$598	–	\$3,692	\$47,090	\$51,380

The Investment Advisor is in regular contact with hedge fund administrators to determine timing of receipt of remaining redemptions. Most of the receivables outstanding as at period end fall into two categories: audit holdbacks, which represent a small percentage of redemptions being withheld by the hedge fund managers on full redemptions pending completion of the audit; and liquidation, which primarily represent underlying of hedge fund positions in assets that are being liquidated.

The below table shows hedge fund redemptions receivable, as at June 30, 2009 broken down by type.

Type	Amount (USD\$)
Audit Holdbacks	\$16,553
Liquidations	34,827
	\$51,380

Credit Risk

The Trust invests in debt obligations of both government and corporate issuers and is exposed to hedge fund investments through the Forward. 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, 2009, the credit rating of the counterparties was as follows:

Counterparty to:	Credit Rating*
Cash	AA-
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.

Certain of the hedge funds invest in various debt securities and as such are exposed to movements in credit markets. In many cases hedge fund managers mitigate that risk to overall credit market changes through various hedging techniques.

In addition, 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 or cause fluctuations in future cash flows of a financial instrument. 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 a change in rates since fixed-income securities are usually held to maturity and are short-term in nature.

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

A committee of noteholders known as the Pan-Canadian Investors Committee for Third Party Asset-Backed Commercial Paper (the "Committee") was formed to propose a plan to restructure the ABCP ("Restructuring Plan").

The Restructuring Plan pooled certain assets of all the affected ABCP conduits, to be allocated on a pro-rata basis to the newly created Master Asset Vehicles referred to as MAV 1 and MAV 2. MAV 1 requires self-funding of a margin facility by participants in the event of possible margin calls. Only certain noteholders were eligible to participate in MAV 1.

In 2009, the Trust became an investor in MAV 2, which established a third party funding facility funded by a consortium of third party lenders. MAV 2 issued Class A-1, Class A-2, Class B and Class C notes to ABCP holders. In April 2009, the Trust sold all of its holdings in these investments.

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 Trust intends to wind the forward up early as part of its orderly wind up procedures.

The notional amounts of the Forward as at June 30, 2009 are in the amount of USD \$3,285,168 and CAD \$1,871,724 (December 31, 2008: USD \$ 7,085,168 and CAD \$ 1,871,724). During the six-month period ended June 30, 2008, the Counterparty redeemed 446.63 participating shares of the Fund for USD \$3,800,000. The target exposure to the Fund is equal to 100% of the net assets of the Trust. As at June 30, 2009 the actual exposure was 95%. The Trust is required to take action to reduce leverage if this exposure exceeds 120%.

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, 2009 the credit rating of the Counterparty was AA-. The Trust is exposed to monies to be received from the Counterparty at the maturity of the Forward. The Forward agreement provides for the Trust’s ability to terminate the Forward if the credit rating of the Counterparty goes below a certain threshold.

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

As the Fund goes through the wind-up process its exposure to hedge funds will continuously change and the diversification of its hedge fund holdings will decrease.

The following table shows the hedge fund holdings by strategy as at June 30, 2009 and December 31, 2008. 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

Strategy	As at June 30, 2009			As at December 31, 2008		
	No. of Hedge Funds	Fair Value (in USD\$)		No. of Hedge Funds	Fair Value (in USD\$)	
Activist investments	—	—	—	1	\$532,392	9%
Asset-backed securities arbitrage	1	\$41,732	2%	2	392,981	7%
Distressed securities arbitrage	1	77,301	3%	1	92,079	2%
Fixed-income arbitrage	1	26,336	1%	3	445,802	8%
Mortgage-backed security arbitrage	3	902,004	40%	4	1,449,421	25%
Multi-strategy	5	816,556	36%	6	1,490,007	25%
Re-insurance arbitrage	1	16,228	1%	2	388,057	6%
Structured finance	1	362,894	16%	1	369,826	6%
Statistical arbitrage	2	8,170	1	3	693,763	12%
	15	\$2,251,221	100%	23	\$5,854,328	100%

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, 2009, the Trust made distributions totaling \$0.04 per unit (\$63,095 was distributed in aggregate) (six-month period ended June 30, 2008: \$0.48 per unit; \$964,993 in aggregate).

In 2008, in anticipation of the termination of the Trust and to insure that sufficient cash remained in the Trust to settle the Forward, the Trust decreased the monthly distribution to \$0.02 per unit for the December 31 to February 28 record dates. In March 2009, the Trust terminated monthly distributions.

8. 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 78,400 units at a cost of \$114,159 for cancellation during the six-month period ended June 30, 2009 (six-month period ended June 30, 2008: 58,800 units were purchased for cancellation for \$421,234 cash paid).

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, 2009 (the annual Redemption Date), 917,714 units were submitted for redemption (June 30, 2008: 1,065,089 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 229,753 units were redeemed at the June 30, 2008 reported net asset value per unit of \$2.3663 for \$543,665 cash paid on July 21, 2009 (June 30, 2008: 297,350 units for \$2,481,981 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, 2009	Units Outstanding	Unit Capital	Contributed Surplus	Retained Earnings (Deficit)	Unitholders' Equity
Balance – December 31, 2008	1,610,086	\$15,014,052	\$710,974	\$(11,913,384)	\$3,811,642
Increase (decrease) in net assets from operations for the period	–	–	–	(30,176)	(30,176)
Units cancelled during the period	(78,400)	(731,080)	616,921	–	(114,159)
Units redeemed during the period	(229,753)	(2,142,447)	1,598,782	–	(543,665)
Distributions	–	–	–	(63,095)	(63,095)
Balance – June 30, 2009	1,301,933	\$12,140,525	\$2,926,677	\$(12,006,655)	\$3,060,547

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 period	–	–	–	863,549	863,549
Units cancelled during the period	(58,800)	(548,310)	127,076	–	(421,234)
Units redeemed during the period	(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

9. Income Taxes

As at December 31, 2008, 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.

As at December 31, 2008, the Trust had no non-capital loss carryforwards (2007: nil) and \$2,057,395 in gross capital loss carryforwards (December 31, 2007: nil).

10. Reconciliation of Net Assets

The below tables reconciles the reported net asset value as at June 30, 2009 with the net assets as calculated in accordance with GAAP.

	Total	Per Unit
Net Assets per the Statement of Net Assets	\$3,060,547	\$2.35
Section 3855 Adjustment	20,157	0.02
Reported net asset value	\$3,080,704	\$2.37

11. 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. Historically, no payments have been required to be made under these indemnities and the Trust estimates the current liability at zero.

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