BROMPTON FUNDS

BROMPTON VIP INCOME FUND

VIP.UN

Actively managed, broadly diversified portfolio of income-producing securities.

Management Report of Fund Performance

August 14, 2008

This interim management report of fund performance for Brompton VIP Income Fund (the "Fund") contains financial highlights but does not contain either the interim or annual financial statements of the Fund. The interim financial statements follow this report. You may obtain a copy of the interim or annual financial statements at your request, at no cost, by calling 866-642-6001 or by sending a request to Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.bromptongroup.com or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, independent review committee's report, or quarterly portfolio disclosure.

The Fund

Brompton VIP Income Fund is a closed-end investment trust managed by Brompton Funds Management Limited (the "Manager"). The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol VIP.UN. The Fund is actively managed by MFC Global Investment Management ("MFC"), a subsidiary of Manulife Financial Corp., a top-ranked manager of income fund investments with extensive experience in income trusts, other equity securities and fixed income investments. The Fund is RRSP, DPSP, RRIF and RESP eligible.

Recent Developments

Since the 2007 year-end, the Manager has proceeded with a comprehensive strategy to address uncertainty concerning the future of income trust investments in Canada resulting from the federal government's decision in 2006 to tax income trusts and limit their ability to issue new equity. Those federal tax changes have had a significant impact on the income trust sector: close to 20% of Canada's income trusts have been merged, taken over or converted to a corporate structure since the changes were announced, and these activities may continue.

In April 2008, the Manager recommended the reorganization of the funds that focused primarily on income trusts to continue to meet the key investment objectives of high monthly distributions and the opportunity for capital appreciation. As part of this reorganization, the Manager proposed the consolidation of seven funds by merging Brompton Stable Income Fund, Brompton Equal Weight Income Fund, Business Trust Equal Weight Income Fund, BG Top 100 Equal Weighted Income Fund, Brompton Tracker Fund, and BG Income + Growth Split Trust into Brompton VIP Income Fund (the "Merger").

At the same time, the Manager proposed the expansion of the Fund's investment universe to include a broader range of income producing products and the continuation of top-ranked MFC Global Investment Management as Portfolio Manager. While addressing the challenges in the income trust sector, the reorganization was also designed to provide further benefits, including a larger market capitalization and more units and unitholders, which in turn are expected to provide greater liquidity and reduced operating costs on a per unit basis. As well, the Manager proposed effecting the Merger on a tax-deferred basis to allow unitholders to defer any capital gains they may be partially subject to until the sale of their units.

At a special meeting on June 9, 2008, unitholders of all seven funds approved the Merger and the new mandate for Brompton VIP Income Fund, effective July 4, 2008. Upon completion of the Merger, the Fund had a net asset value of $792.8 million. For further information, visit the website at www.bromptongroup.com.

Investment Objectives and Strategies

Brompton VIP Income Fund was originally designed to achieve a high level of income through an actively managed, diversified portfolio principally composed of income trusts and high-yield debt over a broad range of industries and to provide the opportunity for capital appreciation. With the reorganization, the basic investment objectives are unchanged, but the investment strategies have been modified to achieve those objectives. The most fundamental change is the expansion of the Fund's investment universe to include a broader range of income-producing securities (providing the expanded ability to invest in dividend-paying common shares, convertible debt, preferred shares and investment grade and high-yield debt). The active management strategy already in place for Brompton VIP Income Fund, will be maintained to effectively manage the expanded asset classes and portfolio. The portfolio continues to be managed by top-ranked MFC's income-oriented equity investment manager Alan Wicks and his team. Under their management, the Fund has generated compound total returns of 15.5% per annum since its inception in 2002 to June 30, 2008.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2007 annual information form, which is available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance are based on the Fund's calculation of its weekly net asset value ("Published NAV"), which is exempted from the application of Canadian Institute of Chartered Accountants ("CICA") Section 3855, except for the figures presented in the Net Asset Value per Unit table, which can be found under Financial Highlights. In accordance with National Instrument ("NI") 81-106, the figures in this table must be derived from the financial statements ("GAAP NAV").

Results of Operations

As the results of operations in this report are for the period ended June 30, 2008, preceding the July 4, 2008 effective date of the Merger, they are based on the pre-Merger results of Brompton VIP Income Fund.

Distributions
During the six months ended June 30, 2008, the Fund maintained a rate of payout of monthly cash distributions which totaled $0.54 (2007 – $0.54) per unit. Since inception in February 2002, the Fund has paid total cash distributions of $6.47 per unit.

The Fund has a distribution reinvestment plan which allows participating unitholders to automatically reinvest monthly distributions in additional units of the Fund. For the six months ended June 30, 2008, 18,985 units were acquired in the market through this plan at an average price of $13.52 per unit.

Revenues and Expenses
The Fund's distribution income increased to $0.65 per unit for the six-month period ended June 30, 2008 from $0.60 per unit for the six-month period ended June 30, 2007.

The increase in distribution income was a result of increased distribution rates in the income trusts in the Fund's portfolio. Interest income per unit in both periods remained the same at approximately $0.15 per unit. Total expenses per unit declined slightly from $0.20 per unit in the first half of 2007 to $0.19 per unit in the first half of 2008 due to lower interest costs.

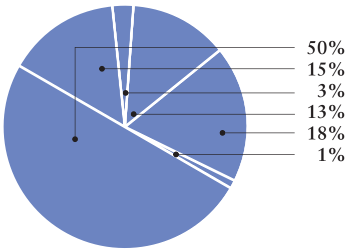
Net Asset Value
The net asset value per unit of the Fund decreased by $0.69 per unit, or 4.7%, from $14.61 at December 31, 2007 to $13.92 at June 30, 2008. The aggregate net assets of the Fund decreased from $102.8 million at December 31, 2007 to $97.3 million at June 30, 2008.

Investment Portfolio
As of June 30, 2008, the Fund's investments included a total of 33 income funds and 68 fixed income investments, which provide diversification by issuer, industry, and asset class. During the period, the Fund also added two equity securities, Petro-Canada and Power Financial Corp., to the investment portfolio. In the first half of 2008, oil and gas fund holdings grew from 10.9% to 15.1% of the portfolio, while business fund holdings declined from 56.6% to 49.4%. The breakdown of the portfolio is shown in the pie chart below, and a detailed listing of the Fund's security holdings is provided in the financial statements.

For the six months ended June 30, 2008, the Fund had net realized and unrealized losses of $5.5 million. The table below shows the net gains or losses in the portfolio by sector. Oil and gas funds were the best performing sector, while business funds had the most net losses, in particular CI Financial Income Fund, Livingston International Income Fund and Yellow Pages Income Fund.

The fixed income securities are high-yield debt and are mostly denominated in US dollars. In order to hedge the foreign exchange exposure, an amount approximately equal to these US dollar denominated assets has been borrowed under the Fund's credit facilities in US dollars. As a result, gains or losses on the US dollar borrowings are included with the gains or losses on the fixed income securities to show the net gain or loss from this investment activity net of hedged US dollar investments.

Portfolio Sectors



Net Gains (Losses) by Sector (millions)	Realized	Unrealized	Total
Business funds	$ 1.4	$ (9.6)	$ (8.2)
Oil and gas funds	1.8	3.2	5.0
Power and pipeline funds	0.0	0.2	0.2
Real estate investment trusts	(0.5)	(0.3)	(0.8)
Fixed income	3.6	(5.3)	(1.7)
Special situations	—	—	—
Total	**$ 6.3**	**$ (11.8)**	**$ (5.5)**

Liquidity and Capital Resources

For the six-month period ended June 30, 2008, the Fund had total borrowings of $27.0 million under its credit facilities, representing 21.5% of total assets, or 27.7% of net assets. As at June 30, 2008, the Fund had a 364-day revolving credit facility and a US dollar term credit facility. The revolving credit facility provides for maximum borrowings of $23.0 million, with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage or in US currency at the LIBOR rate plus a fixed percentage. At June 30, 2008, there was $19.0 million outstanding under this facility. Under its term credit facility, the Fund had borrowings of US$8.0 million at a fixed rate of interest of 4.86% for a five-year term ending July 14, 2010. At June 30, 2008, borrowings in US dollars had a realized foreign exchange gain of $4.8 million and an unrealized foreign exchange gain of $0.7 million. The term loan has been used to invest in additional portfolio investments to increase the overall distributions paid by the Fund. The revolving credit facility has also been used to invest in additional portfolio investments as well as for working capital purposes. During the six months ended June 30, 2008, the minimum and maximum amounts of borrowings were $26.4 million and $29.3 million, respectively.

To provide liquidity, units of the Fund are listed on the TSX under the symbol VIP.UN. The Fund's normal course issuer bid program allows it to purchase its units on the TSX for cancellation if they trade below net asset value per unit. As a result, purchases under the issuer bid are accretive to the net asset value per unit. A total of 50,200 units were purchased during the six months ended June 30, 2008, under this program at an average price of $13.20 per unit. During the period, units of the Fund traded at an average discount to their net asset value per unit of 3.6%. Investors may also redeem their units annually in accordance with the Fund's redemption provisions.

Related Party Transactions

Related party transactions consist of services provided by the Manager pursuant to a management agreement. See the Management Fees section below.

Management Fees

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.85% per annum of the Published NAV of the Fund plus applicable taxes. The Manager is responsible for paying the fees of MFC for the portfolio management services it provides. All of the management fee is used by the Manager to cover its general administration expenses, the cost of portfolio management services and for profit. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Published NAV of the Fund. The service fee is in turn paid by the Manager to the investment dealers based on the proportionate number of units held by clients of such dealers at the end of each calendar quarter. During the six months ended June 30, 2008, management and service fees amounted to $0.4 million and $0.2 million, respectively.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. *This information is derived from the Fund's audited annual and unaudited interim financial statements. The information in the following tables is presented in accordance with NI 81-106 and, as a result, does not act as a continuity of opening and closing net asset value per unit.* The increase (decrease) in net assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

Net Asset Value per Unit

	For the Period Ended June 30, 2008	For the Year Ended December 31 2007	2006	2005	2004	2003
Net asset value, beginning of period/year(1)(2)	**$ 14.51**	$ 13.48	$ 14.77	$ 13.70	$ 11.36	$ 9.29
Increase (decrease) from operations:(3)						
Total revenue	**0.81**	1.53	1.48	1.32	1.25	1.26
Total expenses	**(0.20)**	(0.39)	(0.39)	(0.31)	(0.28)	(0.25)
Realized gain for the period/year	**0.91**	0.75	0.80	0.71	0.25	0.01
Unrealized gain (loss) for the period/year	**(1.63)**	0.20	(2.12)	0.30	2.20	2.04
Total increase (decrease) in net assets from operations	$ (0.11)	$ 2.09	$ (0.23)	$ 2.02	$ 3.42	$ 3.06
Distributions to unitholders:(2)						
From net investment income (excluding dividends)	**$ N/A**(4)	$ 0.96	$ 0.71	$ 0.61	$ 0.48	$ 0.52
From dividends	**N/A**(4)	0.05	0.05	0.06	0.05	0.07
From net realized gain on investments	**N/A**(4)	—	—	—	0.14	—
Return of capital	**N/A**(4)	0.07	0.26	0.33	0.43	0.41
Total distributions to unitholders	**$ 0.54**	$ 1.08	$ 1.02	$ 1.00	$ 1.10	$ 1.00
Net asset value, end of period/year(1)(2)	**$ 13.87**	$ 14.51	$ 13.55	$ 14.77	$ 13.70	$ 11.36

(1) The net asset values from the beginning of 2007 are the GAAP NAV. The net asset value per unit for prior periods is based on the prior period financial statements and has not been adjusted for the new accounting standards adopted in 2007.

(2) Net asset value per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(3) The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(4) Allocations for the period ended June 30, 2008 are not determinable until year end.

Ratios and Supplemental Data (Based on Published NAV)

	June 30, 2008	December 31 2007	2006	2005	2004	2003
Net assets (in 000s)	**$ 97,325**	$ 102,820	$ 113,349	$ 157,761	$ 111,913	$ 103,102
Number of units outstanding (in 000s)	**6,989**	7,040	8,365	10,683	8,170	9,077
Management expense ratio ("MER")(1)	**2.78%**	2.66%	2.69%	2.24%	2.45%	2.47%
Portfolio turnover rate(2)	**4.91%**	8.95%	14.68%	17.75%	14.34%	28.04%
Trading expense ratio(3)	**0.06%**	0.05%	0.05%	0.05%	N/A	N/A
Closing market price	**$ 13.56**	$ 13.86	$ 12.61	$ 13.80	$ 13.30	$ 11.20

(1) MER is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period, including interest expense and issuance costs, but excluding brokerage commissions on securities transactions, and is expressed as an annualized percentage of the average net assets of the period.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. The portfolio turnover rate was not provided when the Fund was less than one year old. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

(3) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund during the period. This disclosure was a new requirement in 2005 under NI 81-106 and was not applied retroactively.

Expense Ratio

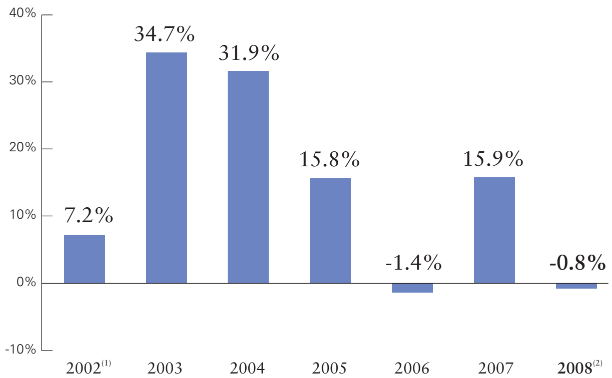
The MER of the Fund was 2.78% at June 30, 2008, compared to 2.66% the previous year. The increase in the MER is largely the result of an increased burden of fixed costs on a lower average net asset value and additional costs associated with the Merger. This ratio is exaggerated by the inclusion of interest expense on borrowings used to purchase additional portfolio investments.

The MER, excluding interest expense, increased to 1.54% from 1.44% in 2007 for reasons described above. Following the completion of the Merger discussed in the Recent Developments section, the MER, excluding interest expense, is expected to decline.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Published NAV per unit and assumes that distributions made by the Fund on its units in the periods shown were reinvested (at Published NAV per unit) in additional units of the Fund.

The bar chart shows the Fund's annual return in each period since inception to June 30, 2008. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have changed by the last day of the fiscal period.



(1) For the period from February 19, 2002 (commencement of operations) to December 31, 2002.

(2) For the period from January 1, 2008 to June 30 2008.

The following table shows the Fund's annual compound return for each period indicated, compared with the S&P/TSX Capped Income Trust Index ("Income Trust Index") and the S&P/TSX Composite Index ("Composite Index"). The Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities. The Composite Index tracks the performance, on a market weight basis, of approximately 300 large stocks on the TSX. The Income Trust Index and the Composite Index are calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	Six Months Ended June 30, 2008	Since Inception[1]
Brompton VIP Income Fund[2]	(0.8%)	15.5%
S&P/TSX Capped Income Trust Index	**24.5%**	20.7%
S&P/TSX Composite Index	**6.0%**	13.3%

(1) Period from February 19, 2002 (commencement of operations) to June 30, 2008.

(2) Based on Published NAV per unit and assuming that distributions made by the Fund on its units in the periods shown were reinvested (at Published NAV per unit) in additional units of the Fund.

Brompton VIP Income Fund is designed to provide investors with a high level of monthly income and superior risk-adjusted returns. The Fund has a lower risk profile than other income-oriented equity funds due to the Portfolio Manager's disciplined investment style and the Fund's diversification of holdings by asset class, sector and sources of income and return. The Portfolio Manager focuses on higher-quality, sustainable businesses versus predicting commodity market cycles and rallies. Consequently, the Portfolio Manager has been significantly underweight in the energy sector, which represented just 15% of the portfolio compared to 62% of the Income Trust Index. The Fund had a negative return of 0.8% in the first half of 2008 and underperformed the Income Trust Index. The underperformance was largely the result of the underweight position in the energy trust sector, which had very strong returns, and the overweight position in business trusts, which had weak returns in the first half of 2008. The Fund also had a 17% allocation to US high-yield bonds, which provided additional diversification benefits, but underperformed the Income Trust Index as well.

Since inception, the Fund has provided investors with an outstanding compound annual return of 15.5%. The Fund has achieved these strong returns with lower levels of volatility through diligent and disciplined security selection while being overweight in business trusts, allocating a significant portion of the portfolio to fixed income investments for diversification benefits, and holding an underweight position in the more volatile oil and gas trusts.

Summary of Investment Portfolio

As at June 30, 2008

Total Published NAV	$ 97,325,043

Portfolio Composition	% of Portfolio	% of Published NAV
Business funds	48.7%	62.2%
Fixed income investments	17.7%	22.5%
Oil and gas funds	14.9%	19.0%
Real estate investment trusts	13.1%	16.7%
Power and pipeline funds	3.1%	4.0%
Cash and short-term investments	1.4%	1.8%
Special situations	1.1%	1.5%
Total investment portfolio	100.0%	127.7%
Other net liabilities		(27.7%)
Total net asset value		100.0%

Top 25 Holdings	% of Portfolio	% of Published NAV
Energy Savings Income Fund	5.2%	6.6%
Boston Pizza Royalties Income Fund	4.9%	6.3%
Northern Property REIT	4.8%	6.1%
Canadian Oil Sands Trust	4.7%	6.0%
Enerplus Resources Fund	4.0%	5.1%
Altus Group Income Fund	3.8%	4.9%
Davis + Henderson Income Fund	3.8%	4.9%
ARC Energy Trust	3.6%	4.6%
Northland Power Income Fund	3.1%	4.0%
SIR Royalty Income Fund	2.9%	3.7%
RioCan REIT	2.9%	3.7%
Chemtrade Logistics Income Fund	2.8%	3.5%
Livingston International Income Fund	2.5%	3.2%
TimberWest Forest Corp.	2.4%	3.1%
Pizza Pizza Royalty Income Fund	2.3%	3.0%
The Keg Royalties Income Fund	2.2%	2.8%
Cineplex Galaxy Income Fund	2.1%	2.6%
Yellow Pages Income Fund	2.0%	2.6%
BFI Canada Income Fund	2.0%	2.6%
Primaris Retail REIT	1.8%	2.4%
The Data Group Income Fund	1.6%	2.1%
InnVest REIT	1.6%	2.0%
Bell Aliant Regional Communications Income Fund	1.6%	2.0%
Peyto Energy Trust	1.5%	1.9%
Cargojet Income Fund	1.5%	1.9%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available within 60 days of each quarter end.

Portfolio Manager

MFC Global Investment Management
MFC Global Investment Management is the diversified investment management group of Manulife Financial and is the Portfolio Manager for Brompton's oldest fund – Brompton VIP Income Fund. MFC is a top-ranked portfolio manager of income-oriented investments, with extensive experience in income trusts, dividend-paying equities and both high-yield and investment-grade fixed income investments. MFC has more than 100 years of experience managing portfolios for the Manufacturers Life Insurance Company, John Hancock Life Insurance Company, and other major clients. With more than $240 billion in assets under management, MFC Global Investment Management is a leading global investment management group.

MFC Global
Investment Management

Portfolio Manager's Report

Investment Performance
Markets were volatile during the six-month period ending June 30, 2008, challenged by the subprime and credit crises, a weaker North American economy, higher oil prices, and rising inflation. Energy and resources outperformed by a wide margin on the back of rising commodity prices. Consequently, the S&P/TSX Capped Income Trust Index, which is heavily weighted towards energy and resources entities, experienced a strong total return of 24.5% during the period. Recently, investors have sold off business trusts in favour of energy and resource trusts, creating valuation opportunities in the business trust area that have not existed for quite some time.

Subprime mortgage woes and structured product concerns, along with recession fears, weighed heavily on the high-yield markets. Spreads widened through March. While some rallying occurred in April and May, spreads widened again in June. New deals gained little traction, as most traded below issue price by the period end. High oil prices, soaring foreclosure rates, and inflationary fears did not help matters. The healthcare, telecommunications, metals and mining, utilities, and energy sectors outperformed, while publishing and printing, financial services, automotive and auto parts, and gaming generally underperformed.

Among trusts, the Fund remained overweight in the consumer, power, industrials, and real estate sectors, focusing more on higher-quality, sustainable businesses than on pure yield. The Fund was underweight in energy and resources trusts. The latter detracted from performance. Despite recent returns in the sector, the Portfolio Manager believes that current market volatility poses too much risk to the portfolio and remains underweight energy. A run-up to record high oil prices led to a strong performance from the Fund's selective holdings in energy trusts.

The Fund's high-yield portfolio was pressured by tightening credit conditions, unease in the credit markets, and decreased liquidity. The US Federal Reserve (the "Fed") cut rates four times, bringing the rate to 2.00% at the end of April. Since then, citing inflationary risk, the Fed has been on hold. While the overall credit market risk repricing took its toll, other economic factors had relatively little impact on performance. The Fund's corporate positions underperformed treasuries as investors sought safety in government securities. There were no material changes to the risk level of the Fund.

Recent Developments
The Canadian economy contracted during the first quarter owing to a rapid decline in manufacturing and, more specifically, the auto sector. Potential further weakness in the Canadian economy hinges on the health of the US economy. First-quarter US GDP growth was revised upwards to 1.0%; however, the outlook for the next few quarters remains questionable given higher oil prices and higher inflation. Canadian equity markets, however, remain resilient: most companies increased earnings during the most recent quarter, and earnings estimates for the remainder of 2008 are rising. The Portfolio Manager remains cautiously optimistic on the prospects for income trusts for the remainder of 2008.

Modest activity occurring in the high-yield portfolio over the period was intended to upgrade credit quality where possible, to maintain or increase monthly dividends, and to preserve or enhance net asset value. The overall allocation to high-yield markets was modestly increased, as was exposure to the energy sector. The Portfolio Manager's objective continues to be maintaining or increasing monthly distributions and net asset value by designing a well-diversified portfolio by sector and asset class and by assessing each potential investment based on its fundamental outlook and value in relation to other portfolio positions. Current market conditions provide numerous investment opportunities to generate significant future income and growth for the Fund.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Statements of Net Assets (Unaudited)

As at	June 30, 2008	Dec. 31, 2007
Assets		
Investments, at market value	**$ 122,104,757**	$ 133,382,764
Cash and short-term investments	**1,733,089**	11,446,119
Income receivable	**994,820**	1,239,007
Total assets	**124,832,666**	146,067,890
Liabilities		
Accounts payable and accrued liabilities	**271,273**	269,616
Distributions payable to unitholders (note 6)	**629,040**	633,558
Redemptions payable to unitholders	**—**	14,294,845
Loans payable (note 10)	**26,959,270**	28,710,728
Total liabilities	**27,859,583**	43,908,747
Unitholders' equity		
Unitholders' capital (note 4)	**79,285,086**	79,854,541
Retained earnings	**17,687,997**	22,304,602
Net assets representing unitholders' equity	**$ 96,973,083**	$ 102,159,143
Units outstanding (note 4)	**6,989,338**	7,039,538
Net asset value per unit	**$ 13.87**	$ 14.51

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

Statements of Operations and Retained Earnings (Unaudited)

For the six months ended June 30	2008	2007
Income		
Distributions from income funds	$ **4,552,701**	$ 4,906,347
Securities lending income (note 9)	**69,517**	45,832
Interest income	**1,053,341**	1,079,175
	5,675,559	6,031,354
Expenses		
Management fees (note 7)	**439,118**	553,615
Service fees (note 7)	**191,113**	234,662
Audit fees	**4,032**	12,265
Trustee fees	**7,389**	16,910
Custodial fees	**1,461**	13,290
Legal fees	**21,888**	7,386
Unitholder reporting costs	**13,071**	8,833
Other administrative expenses	**68,741**	23,690
Interest and bank charges (note 10)	**598,381**	725,239
	1,345,194	1,595,890
Net investment income	**4,330,365**	4,435,464
Net realized gain on sale of investments (note 8)	**1,580,914**	1,864,020
Transaction costs (note 2)	**(30,821)**	(29,849)
Net realized gain on loans payable (note 10)	**4,833,800**	70,922
Net change in unrealized gain/loss on investments, short-term investments and foreign currency transactions	**(6,101,039)**	6,580,249
Net change in unrealized gain/loss on loans payable (note 10)	**(5,351,474)**	1,982,588
Increase (decrease) in net assets from operations	**(738,255)**	14,903,394
Retained earnings, beginning of period	**22,304,602**	17,834,032
Excess of stated value paid on repurchase and redemption of units	**(92,686)**	(606,385)
Distributions to unitholders (note 6)	**(3,785,664)**	(4,416,636)
Retained earnings, end of period	$ **17,687,997**	$ 27,714,405
Increase (decrease) in net assets from operations per unit[1]	$ **(0.11)**	$ 1.82

[1] Based on the weighted average number of units outstanding for the period (note 4).

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

Statements of Cash Flows (Unaudited)

For the six months ended June 30	2008	2007
Cash flows from operating activities:		
Increase (decrease) in net assets from operations	$ (738,255)	$ 14,903,394
Adjustments to reconcile net cash provided by operations:		
Net realized (gain) loss on sale of investments (note 8)	(1,580,914)	(1,864,020)
Net realized (gain) loss on loans payable	(4,833,800)	(70,922)
Net change in unrealized gain/loss on investments	6,083,937	(6,580,189)
Net change in unrealized gain/loss on loans payable	5,351,474	(1,982,588)
Decrease (increase) in other assets	—	21,252
Decrease (increase) in income receivable	244,187	401,406
Increase (decrease) in accounts payable and accrued liabilities	1,657	(80,657)
Purchase of investments (note 8)	(6,046,228)	(4,484,988)
Proceeds from sale of investments (note 8)	12,821,212	24,001,395
Cash provided by operating activities	11,303,270	24,264,083
Cash flows from financing activities:		
Increase (decrease) in loans payable	(2,269,132)	(7,525,343)
Distributions paid to unitholders (note 6)	(3,790,182)	(4,442,241)
Repurchase of units (note 4)	(662,141)	(3,833,667)
Amounts paid for redemption of units (note 4)	(14,294,845)	(25,914,385)
Cash used in financing activities	(21,016,300)	(41,715,636)
Decrease in cash and short-term investments	(9,713,030)	(17,451,553)
Cash and short-term investments, beginning of period	11,446,119	18,809,051
Cash and short-term investments, end of period	$ 1,733,089	$ 1,357,498
Supplemental information:		
Interest paid	$ 568,234	$ 744,545

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

Statements of Changes in Net Assets (Unaudited)

For the six months ended June 30	2008	2007
Net assets, beginning of period (note 3)	**$ 102,159,143**	$ 112,723,524
Operations:		
Increase (decrease) in net assets from operations	**(738,255)**	14,903,394
Unitholder transactions:		
Distributions to unitholders (note 6)	**(3,785,664)**	(4,416,636)
Repurchase of units (note 4)	**(662,141)**	(3,833,667)
Total unitholder transactions	**(4,447,805)**	(8,250,303)
Net increase (decrease) in net assets	**(5,186,060)**	6,653,091
Net assets, end of period	**$ 96,973,083**	$ 119,376,615
Distributions per unit	**$ 0.54**	$ 0.54

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

Statement of Investments (Unaudited)

As at June 30, 2008		Cost (CAD)	Fair Value (CAD)	% of Portfolio
No. of Units	**Business Funds**			
267,610	Altus Group Income Fund	$ 3,183,100	$ 4,771,486	
68,781	Armtec Infrastructure Income Fund	894,039	1,747,037	
66,500	Bell Aliant Regional Communications Income Fund	2,239,205	1,933,820	
108,911	BFI Canada Income Fund	1,707,081	2,522,379	
530,200	Boston Pizza Royalties Income Fund	7,422,450	6,102,602	
182,000	Cargojet Income Fund	1,790,400	1,881,880	
228,560	Chemtrade Logistics Income Fund	2,942,842	3,410,115	
80,000	CI Financial Income Fund	2,252,805	1,760,000	
174,800	Cineplex Galaxy Income Fund	2,226,661	2,569,560	
306,541	Davis + Henderson Income Fund	4,588,838	4,775,909	
458,868	Energy Savings Income Fund	5,039,921	6,470,039	
50,900	K-Bro Linen Income Fund	719,650	577,715	
203,855	Livingston International Income Fund	3,061,359	3,096,557	
324,400	Pizza Pizza Royalty Income Fund	3,066,080	2,887,160	
127,600	Richards Packaging Income Fund	1,002,683	1,074,392	
382,600	SIR Royalty Income Fund	3,736,770	3,657,656	
98,666	Student Transportation of America IPS	1,159,737	957,060	
226,200	The Data Group Income Fund	2,264,070	2,040,324	
253,100	The Keg Royalties Income Fund	2,783,766	2,685,391	
217,500	TimberWest Forest Corp.	3,011,948	2,990,625	
285,498	Yellow Pages Income Fund	3,852,805	2,523,802	
		58,946,210	**60,435,509**	**49.4%**
No. of Units	**Oil and Gas Funds**			
131,398	ARC Energy Trust	2,343,462	4,425,485	
38,000	Bonavista Energy Trust	874,193	1,423,100	
105,595	Canadian Oil Sands Trust	1,486,539	5,774,991	
104,599	Enerplus Resources Fund	3,913,083	4,926,613	
93,632	Peyto Energy Trust	1,638,994	1,886,685	
		10,256,271	**18,436,874**	**15.1%**
No. of Units	**Real Estate Investment Trusts**			
40,000	Canadian Apartment Properties REIT	646,000	692,800	
97,225	H&R REIT	1,360,921	1,740,328	
204,000	InnVest REIT	2,234,460	1,944,120	
264,700	Northern Property REIT	3,678,028	5,926,633	
125,000	Primaris Retail REIT	1,270,893	2,277,500	
179,400	RioCan REIT	2,694,451	3,552,120	
		11,884,753	**16,133,501**	**13.2%**
No. of Units	**Power and Pipeline Funds**			
299,300	Northland Power Income Fund	3,929,015	3,848,998	
		3,929,015	**3,848,998**	**3.2%**

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

Statement of Investments (Unaudited) (continued)

As at June 30, 2008		Cost (USD)	Cost (CAD)	Fair Value (USD)	Fair Value (CAD)	% of Portfolio
Par Value ($)	**Fixed Income Investments**					
600,000	Ace Cash Express Inc. *10.25%, due October 1, 2014*	$ 663,910	$ 673,569	$ 450,000	$ 456,547	
300,000	Actuant Corporation 144A Call *6.625%, due June 15, 2017*	314,123	318,693	294,750	299,038	
250,000	AES Corp. *7.75%, due October 15, 2015*	242,275	245,800	246,250	249,833	
50,000	Ahern Rentals Inc. *9.25%, due August 12, 2013*	59,169	60,030	36,500	37,031	
300,000	Airgas Inc. *7.125%, due October 1, 2018*	302,174	306,570	302,250	306,647	
250,000	Alimentation Couche-Tard Inc. *7.5%, due December 15, 2013*	276,344	280,364	246,875	250,467	
300,000	AMC Entertainment Inc. *8%, due March 1, 2014*	328,408	333,186	266,250	270,124	
160,000	Anixter Inc. *5.95%, due March 1, 2015*	165,836	168,249	140,800	142,848	
24,000	AT&T Corp. *7.3%, due November 15, 2011*	31,784	32,246	25,562	25,934	
300,000	Atlas Pipeline Partners LP *8.75%, due June 15, 2018*	299,838	304,200	300,000	304,365	
140,000	Axcan Intermediate Holdings Inc. *9.25%, due March 1, 2015*	136,196	138,177	141,050	143,102	
500,000	Baytex Energy Trust *9.625%, due July 15, 2010*	561,600	569,771	510,000	517,420	
350,000	Cascades Inc. *7.25%, due February 15, 2013*	369,862	375,243	304,500	308,930	
25,000	Cendant Car Rental Group LLC *7.625%, due May 15, 2014*	28,377	28,790	20,000	20,291	
225,000	Cendant Car Rental Group LLC *7.75%, due May 15, 2016*	244,868	248,431	172,688	175,200	
200,000	Century Aluminum Co. *7.5%, due August 15, 2014*	249,155	252,780	198,000	200,881	
1,295,000	Charter Communications Holdings, LLC *10.25%, due September 15, 2010*	1,566,380	1,589,169	1,252,913	1,271,141	
306,000	Columbia/HCA Healthcare Corporation *8.36%, due April 15, 2024*	334,839	339,710	260,452	264,241	
80,000	Columbus McKinnon Corp. *8.875%, due November 1, 2013*	94,102	95,471	82,400	83,599	
500,000	Connacher Oil & Gas, *10.25%, due December 15, 2015*	478,773	485,738	527,500	535,174	
300,000	CSC Holdings Inc., *8.5%, due June 15, 2015*	293,303	297,570	294,750	299,038	
800,000	Dollarama Group LP *8.875%, due August 15, 2012*	930,138	943,670	748,000	758,882	
300,000	El Paso Natural, *7.25% due June 1, 2018*	293,214	297,480	295,500	299,799	
250,000	Energy Partners Ltd. *9.75%, due April 15, 2014*	205,612	208,603	234,375	237,785	
200,000	Flextronics Intl *6.5%, due May 15, 2013*	185,229	187,924	191,000	193,779	
250,000	Fontainebleau Las Vegas Holdings LLC *10.25%, due June 15, 2015*	261,471	265,275	162,500	164,864	
500,000	Foot Locker Inc. *8.5%, due January 15, 2022*	658,986	668,573	467,500	474,301	
271,000	FTD Inc. *7.75%, due February 15, 2014*	329,361	334,153	271,677	275,630	
170,000	Gaylord Entertainment Co. *8%, due November 15, 2013*	190,865	193,642	163,200	165,574	
800,000	Harrahs Operating Co. *5.625%, due June 1, 2015*	751,522	762,456	430,000	436,256	
45,000	HCA Inc. *6.25%, due February 15, 2013*	39,266	39,837	39,037	39,605	
250,000	Helix Energy *9.50%, due January 15, 2016*	247,844	251,450	256,250	259,978	
281,000	Herbst Gaming Inc. *8.125%, due June 1, 2012*	327,433	332,197	47,770	48,465	
815,000	Intelsat Ltd. *7.625%, due April 15, 2012*	894,361	907,373	652,000	661,486	
800,000	Iron Mountain Inc. *7.75%, due January 15, 2015*	1,030,042	1,045,028	796,000	807,581	
500,000	Masonite International Corp. *11%, due April 6, 2015*	563,118	571,311	315,000	319,583	
150,000	Metals USA Inc. *11.125%, due December 1, 2015*	174,920	177,465	154,875	157,128	
500,000	MetroPCS Wireless Inc. *9.25%, due November 1, 2014*	552,512	560,550	481,250	488,252	
250,000	MGM Mirage *7.5%, due June 1, 2016*	268,445	272,350	205,625	208,617	
125,000	MGM Mirage *7.625%, due January 15, 2017*	143,069	145,150	102,812	104,308	
500,000	Neff Corp. *10%, due June 1, 2015*	545,921	553,863	199,500	202,402	
800,000	Nextel Communications Inc. *6.875%, due October 31, 2013*	992,223	1,006,658	676,000	685,835	
50,000	Novelis Inc. *7.25%, due July 15, 2015*	54,309	55,099	47,250	47,937	
100,000	NXP Funding LLC, *7.87%, due October 15, 2014*	111,527	113,150	92,000	93,338	
100,000	Omega Healthcare Investors, Inc. *7%, due January 15, 2016*	115,019	116,692	94,000	95,368	
500,000	OPTI Canada Inc. *8.25%, December 15, 2014*	582,337	590,809	497,500	504,738	
250,000	Outback Steakhouse Inc. SR NT 144A Call *9.625%, due May 15, 2015*	264,515	268,363	161,875	164,230	
920,000	Rite Aid Corporation *8.125%, due May 1, 2010*	1,136,271	1,152,802	929,200	942,719	
500,000	Ryerson Tull Inc. *12%, due January 11, 2015*	505,246	512,597	496,250	503,470	
500,000	Seagate Technology *6.375%, due October 11, 2011*	550,318	558,324	483,750	490,788	
500,000	Shaw Communications Inc. *6.15%, due May 9, 2016*	—	490,260	—	489,255	
500,000	Shaw Communications Inc. *7.5%, due November 20, 2013*	—	517,882	—	528,275	
250,000	Sherritt International Corporation *7.875%, due November 26, 2012*	—	250,000	—	254,470	
250,000	Sherritt International Corporation *8.25%, due October 24, 2014*	—	250,000	—	257,435	
250,000	Sherritt International Corporation *7.75%, due October 15, 2015*	—	250,000	—	250,828	
100,000	Snoqualmie Entertainment Authority *9.125%, due February 1, 2015*	116,397	118,090	74,000	75,077	
500,000	Stater Bros. Holdings Inc. *8.125%, due June 15, 2012*	601,953	610,711	502,500	509,811	
500,000	Steel Dynamics *7.375%, due November 1, 2012*	484,649	491,700	500,000	507,274	
170,000	Stratos Global Corporation *9.875%, due February 15, 2013*	179,460	182,071	179,775	182,390	
431,000	Sun Healthcare Group *9.125%, due April 15, 2015*	413,586	419,603	431,000	437,270	
95,000	Syniverse Technologies Inc. *7.75%, due August 15, 2013*	114,082	115,742	89,300	90,599	
300,000	Targa Resources Partners LP *8.25%, due July 1, 2016*	305,279	309,720	289,499	293,711	
400,000	Teekay Shipping Corporation *8.875%, due July 15, 2011*	557,855	565,971	432,499	438,791	
250,000	U.S. Concrete Inc. *8.375%, due April 1, 2014*	231,942	235,316	221,875	225,103	
250,000	Viterra Inc. *8.50%, due August 1, 2017*	—	250,000	—	253,793	
350,000	Western Oil Sands Inc. *8.375%, due May 1, 2012*	501,281	508,574	380,772	386,312	
125,000	Westlake Chemical Corp. *6.625%, due January 15, 2016*	142,209	144,278	105,000	106,528	
520,000	Wind Acquisition Fin. SA. *10.75%, due December 1, 2015*	624,732	633,822	546,000	553,944	
		24,219,833	**26,580,341**	**19,517,408**	**21,835,415**	**17.9%**
No. of Shares	**Special Situations**					
15,000	Petro-Canada		746,100		851,250	
17,000	Power Financial Corp.		641,747		563,210	
			1,387,847		**1,414,460**	**1.2%**
	Embedded Broker Commission (note 2)	—	(25,841)	—	—	
	Total	**$ 24,219,833**	**$ 112,958,596**	**$ 19,517,408**	**$ 122,104,757**	**100.0%**

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

Notes to the Financial Statements (Unaudited)
June 30, 2008 and 2007

1. OPERATIONS

Brompton VIP Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on October 25, 2001, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee and Brompton Funds Management Limited (the "Manager") is responsible for managing the affairs of the Fund. MFC Global Investment Management, a subsidiary of Manulife Financial Corp., manages the Fund's portfolio. RBC Dexia Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund is listed on the Toronto Stock Exchange and commenced operations on February 19, 2002.

At a special meeting held on June 9, 2008, unitholders of the Fund, Brompton Stable Income Fund, Brompton Equal Weight Income Fund, Business Trust Equal Weight Income Fund, BG Top 100 Equal Weighted Income Fund, Brompton Tracker Fund, and BG Income + Growth Split Trust approved an extraordinary resolution to make the following changes to the Fund.

i) Amend the investment strategies and restrictions of the Fund to provide exposure to a portfolio including income trusts, dividend paying common equities, convertible debt, preferred shares, and investment grade and high yield debt

ii) Amend the annual redemption date to the second last business day of August

iii) Approve the merger of Brompton Stable Income Fund, Brompton Equal Weight Income Fund, Business Trust Equal Weight Income Fund, BG Top 100 Equal Weighted Income Fund, Brompton Tracker Fund and BG Income + Growth Split Trust into the Fund.

These changes became effective on July 4, 2008. As of that date, the Fund issued 51,373,482 units to the unitholders of the aforementioned funds as a result of the merger.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the December 31, 2007 annual audited financial statements.

a) Adoption of New Accounting Standards

Section 3862 – Financial Instruments – Disclosures

On January 1, 2008, the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, "Financial Instruments – Disclosures." Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Fund manages those risks. This standard impacts the Fund's disclosure provided but does not affect the Fund's results or financial position.

Section 3863 – Financial Instruments – Presentation

On January 1, 2008, the Fund adopted CICA Section 3863, "Financial Instruments – Presentation." Section 3863 carries forward the presentation requirements of Section 3861 with respect to financial instruments. This standard impacts the Fund's disclosure provided but does not affect the Fund's results or financial position.

Section 3855 – Financial Instruments – Recognition and Measurement

Effective January 1, 2007, the Fund adopted CICA Section 3855, "Financial Instruments – Recognition and Measurement," which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires that bid prices (for investments held) and ask prices (for investments sold short) be used in determining the fair value of investments. Prior to the adoption of this standard, fair value was commonly based on the closing price of an investment for the day. For financial reporting purposes, on January 1, 2007, the Fund adopted the amended valuation policy for actively traded securities held by the Fund without retroactive restatement of prior periods. The impact of the initial adoption of the valuation policy on January 1, 2007 has been disclosed in note 3.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments by the Fund be expensed in the period incurred. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchases or proceeds from sale of investments.

Section 1535 – Capital Disclosures

On January 1, 2008, the Fund adopted CICA Section 1535, "Capital Disclosures," which requires that the Fund disclose information about its objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This standard impacts the Fund's disclosure provided but does not affect the Fund's results or financial position.

b) Valuation of Investments

Investments are deemed held for trading in accordance with Section 3855 and Accounting Guideline 18. The Fund's investments are valued at estimated fair value. Investments held long that are publicly traded are valued at their bid prices on the valuation date. Investments with no available bid prices are valued at their closing price. Short-term investments and bonds are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

c) Cash and Short-term Investments

Cash and short-term investments consist of cash on hand and short-term debt investments with maturities of less than three months on acquisition. Cash and short-term investments are deemed held for trading and are therefore carried at fair value.

d) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date, and any realized gains or losses are recognized using the average cost of the investments. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date. Net realized gains or losses on investments include net realized gains or losses from foreign currency changes.

e) Transaction Costs

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed and are recognized in the Statement of Operations and Retained Earnings.

f) Foreign Exchange

The market values of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the noon rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing at the time of such transactions.

g) Fair Value of Financial Instruments

The fair value of the Fund's financial instruments, excluding investments and short-term investments which are composed of cash, distributions and interest receivable, accounts payable and accrued liabilities and loans payable, approximates their book value.

h) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on the accrual basis and included in the Statement of Operations and Retained Earnings.

i) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends receivable, and amounts due from broker are designated as loans and receivables and recorded at cost or amortized cost. Similarly, amounts due to broker, accounts payable and accrued liabilities, and loans payable are designated as financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities due to their short-term nature. For the term credit facility, cost or amortized cost approximates fair value as the fixed interest rate approximates current rate.

j) Recent Accounting Pronouncements

The Canadian Accounting Standards Board ("AcSB") has confirmed its plan to adopt all International Financial Reporting Standards, as published by the International Accounting Standards Board, on or by January 1, 2011. In accordance with Canadian GAAP and AcSB's plan, the Fund will adopt all the International Financial Reporting Standards.

3. RECONCILIATION OF NET ASSET VALUE

As a result of the adoption of Section 3855 on January 1, 2007, and in accordance with a decision dated September 28, 2006 by the Canadian securities regulatory authorities, an adjustment was required to the opening net asset value of the Fund, between the net asset value for financial reporting purposes (the "GAAP NAV") and the net asset value for reporting other than in the financial statements (the "Published NAV").

The decrease to the net asset value and the increase in the deficit as at January 1, 2007 as a result of applying Section 3855 was $625,407. The reconciliation of net asset value is as follows:

	June 30, 2008		Dec. 31, 2007	
	Net Asset Value	Net Asset Value per Unit	Net Asset Value	Net Asset Value per Unit
Published NAV	$ 97,325,043	$ 13.92	$ 102,819,843	$ 14.61
Section 3855 adjustment	(351,960)	(0.05)	(660,700)	(0.10)
GAAP NAV	$ 96,973,083	$ 13.87	$ 102,159,143	$ 14.51

4. UNITS OF THE FUND

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. At a special meeting on June 9, 2008, unitholders approved a change in the annual redemption date from the second last business day of December to the second last business day of August, commencing in August 2008. Units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of July for redemptions on the second last business day of August ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Published NAV per unit on the Redemption Valuation Date less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective the Redemption Valuation Date of each year and will be settled on or before the tenth business day in September.

Notes to the Financial Statements (Unaudited) (continued)

At the special meeting, unitholders also approved a monthly redemption privilege. Units may be redeemed at the option of unitholders at least 10 business days prior to the second last business day of each month except for the month of August. Unitholders whose units are redeemed will receive a redemption price per unit equal to the lesser of (i) 94% of the market price and (ii) 100% of the closing market price of the units, less any costs associated with the redemption, including brokerage costs.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid for the period from November 8, 2007 to November 7, 2008. Pursuant to the issuer bid, the Fund is permitted to purchase up to 801,500 units for cancellation. The Fund may only repurchase units when the Published NAV per unit exceeds its trading price. During the period ended June 30, 2008, 50,200 (2007 – 284,500) units were purchased for cancellation.

The weighted average number of units outstanding for the six months ended June 30, 2008, was 7,014,176 (2007 – 8,200,075).

5. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with a high level of income through monthly cash distributions and to preserve the net asset value per unit. The Fund's capital includes unitholders' capital and loans payable. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing, or purchase units for cancellation.

6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the six months ended June 30, 2008, the Fund declared total distributions of $0.54 (2007 – $0.54) per unit, which amounted to $3,785,664 (2007 – $4,416,636). Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the six months ended June 30, 2008 and 2007, no units in respect of distributions were issued by the Fund.

7. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.85% per annum of the Published NAV of the Fund plus applicable taxes. The Manager is responsible for paying fees of MFC Global Investment Management for the portfolio management services it provides the Fund. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Published NAV of the Fund. The service fee is in turn paid by the Manager to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

8. INVESTMENT TRANSACTIONS

Investment transactions for the six months ended June 30 were as follows:

	2008	2007
Proceeds from sale of investments	**$ 12,821,212**	$ 24,001,395
Less cost of investments sold:		
Investments at cost, beginning of period	**118,152,666**	143,097,393
Investments purchased during the period	**6,046,228**	4,484,988
Investments at cost, end of period	**(112,958,596)**	(125,445,006)
Cost of investments sold during the period	**11,240,298**	22,137,375
Net realized gain on sale of investments	**$ 1,580,914**	$ 1,864,020

Foreign exchange gains arising from the disposition of investments of $29,722 (2007 – losses of $39,405) are included in the net realized gain of $1,580,914 (2007 – gain of $1,864,020) above.

Brokerage commissions on investments purchased and sold during the period ended June 30, 2008 amounted to $30,821 (2007 – $29,849). For the periods ended June 30, 2008 and 2007, there were no soft dollar amounts paid.

9. SECURITIES LENDING

The Fund entered into a securities lending program in August 2006 with its custodian, RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in NI 81-102. The market value of the securities on loan and the related collateral at June 30, 2008, were $22.3 million (2007 – $24.0 million) and $25.5 million (2007 – $25.7 million), respectively.

10. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility and a term credit facility. The revolving credit facility provides for maximum borrowings of $23.0 million with borrowings in Canadian currency at either the prime rate of interest or the bankers' acceptance rate plus a fixed percentage or in US currency at the LIBOR rate plus a fixed percentage. There was $19.0 million outstanding under this facility as at June 30, 2008. Under its term credit facility, the Fund has borrowed US$8.0 million for a five-year term to July 14, 2010 at a fixed rate of interest of 4.86%. These loans represent $27.0 million of the total borrowings at June 30, 2008.

During the period ended June 30, 2008, the Fund realized a foreign exchange gain in the amount of $4,833,800 (2007 – gain of $70,922) on the repayment of borrowings in US dollars under the credit facilities. At June 30, 2008, borrowings in US dollars had an unrealized foreign exchange gain of $738,854 (2007 – gain of $6,090,328). The credit facilities are secured by a first-ranking and exclusive charge on all of the Fund's assets. During the period ended June 30, 2008, the minimum and maximum amounts of borrowings were $26.4 million (2007 – $30.3 million) and $29.3 million (2007 – $43.3 million), respectively.

11. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at June 30, 2008, and groups the securities by asset type and market segment. Significant risks that are relevant to the Fund are discussed below.

The Manager attempts to minimize potential adverse effects of these risks on the Fund's performance by employing a professional, experienced portfolio manager, by diversifying the investment portfolio within the constraints of the investment objectives, and by using financial instruments to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is primarily comprised of income trusts and US dollar denominated debt securities. It is the Manager's intention to hedge substantially all of the US dollar foreign exchange exposure through its US dollar denominated loans.

a) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as corporate debt. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates for such securities.

The Fund is also exposed to interest rate risk on its variable and fixed interest rate loans. Fluctuations in interest rates have a direct impact on the interest payments the Fund makes on its loans.

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity.

	Less than 1 Year	1–3 Years	3–5 Years	> 5 Years	Total
Short-term and fixed income investments	$ 1,780,279	$ 2,731,279	$ 4,806,918	$ 14,297,215	$ 23,615,691
Loans payable	18,842,881	8,116,389	—	—	26,959,270

As at June 30, 2008, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased by approximately $1.2 million or 1.3%. Similarly, had prevailing interest rates decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have increased by approximately $1.3 million or 1.4%. The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio and the impact on annual interest expense for the loans payable. In practice, the actual trading results may differ, and the difference could be material.

b) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The investment portfolio is comprised of income trusts and US denominated debt securities. As at June 30, 2008, the Fund's exposure to US dollar foreign exchange was substantially hedged through its US dollar denominated loans; see note 10.

c) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Portfolio Manager attempts to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to other price risk from its investment in income trusts and/or equity securities. As at June 30, 2008, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased by approximately $10.0 million (approximately 10.3% of total net assets). In practice, the actual trading results may differ, and the difference could be material.

Notes to the Financial Statements (Unaudited) (continued)

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities. The fair value of debt securities includes consideration of the creditworthiness of the issuer. The carrying amount of investments, as presented on the Statement of Investments, represents the maximum credit risk exposure as at June 30, 2008. The carrying amount of the Fund's other assets also represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. The trade will fail if either party fails to meet its obligation.

The Portfolio Manager evaluates the credit quality of the securities prior to purchase and performs ongoing monitoring of the credit quality of the securities. The Fund will not invest more than 10% of its total assets in the securities of any one issuer in accordance with investment restrictions.

The Fund has entered a securities lending program with its custodian; see note 9. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

As at June 30, 2008, the Fund invested in debt securities with the following credit ratings. Credit ratings are obtained from Standard & Poor's, Moody's and DBRS.

Portfolio by Rating Category	
AA	**3%**
A	**9%**
BBB	**67%**
Below BBB	**21%**
Total	**100%**

e) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its annual redemptions and loans payable. For the annual redemption, the Fund receives notice at least 20 business days prior to the date of redemption and has up to 10 business days following the date of redemption to settle the redemptions, which provides the Portfolio Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price.

The Fund also has a 364-day revolving credit facility and a fixed term credit facility, due July 14, 2010, which can be used to fund redemptions or finance investments; see note 10. The credit facilities contain several financial covenants that require the Fund to meet certain financial ratios and financial condition tests. The Fund is within its financial covenants with respect to the credit facilities. The Manager monitors the use of the credit facilities on a regular basis.

12. SUBSEQUENT EVENT

On June 9, 2008, a special meeting of unitholders of the Fund and other funds was held. At the meeting, unitholders of the Fund, Brompton Stable Income Fund, Brompton Equal Weight Income Fund, Business Trust Equal Weight Income Fund, BG Top 100 Equal Weighted Income Fund, Brompton Tracker Fund, and BG Income + Growth Split Trust (collectively, the "Funds") approved resolutions to merge the Funds, with Brompton VIP Income Fund as the continuing fund. The investment strategy of the Fund was also amended to broaden the asset classes in which the Fund may invest. The merger was effective on July 4, 2008.

Corporate Information

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Arthur R.A. Scace, QC, CM

Ken S. Woolner, BSc, PEng

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Raymond R. Pether, BA, MBA
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Chief Executive Officer

Craig T. Kikuchi, BA, CA, CFA
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Moyra E. MacKay, BA
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