BROMPTON VIP INCOME FUND

VALUE INTEGRITY PERFORMANCE

INTERIM REPORT 2006

Management Report of Fund Performance

August 10, 2006

This interim management report of fund performance for Brompton VIP Income Fund (the "Fund") contains financial highlights but does not contain the complete interim financial statements. The complete interim financial statements are appended to this report.

Unitholders may obtain a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure, at no cost, by calling 866-642-6001, or by sending a request to Suite 2930, P.O. Box 793, Bay Wellington Tower, BCE Place, 181 Bay Street, Toronto, Ontario, M5J 2T3.

Investment Objectives and Strategies

Brompton VIP Income Fund is a closed-end investment trust that is listed on the Toronto Stock Exchange ("TSX") under the symbol VIP.UN and is managed by Brompton Funds Management Limited (the "Manager"). The Fund's objectives are to provide unitholders with a high level of income through receipt of monthly cash distributions and to preserve the net asset value per unit. The Fund utilizes an active asset and sector allocation strategy to invest in a diversified portfolio of income trusts and high-yield debt across a broad range of industries and geographic areas. Its investment focus is on business funds with smaller weightings in real estate investment trusts, oil and gas funds, power and pipeline funds, high-yield debt and special situations. The Fund is actively managed by MFC Global Investment Management, a subsidiary of Manulife Financial Corp. and a top-ranked portfolio manager of income fund investments with extensive experience in income trusts and high-yield fixed income investments. The portfolio management team was led by Alan Wicks. The Fund is RRSP, DPSP, RRIF and RESP eligible.

Risks

There are risks associated with an investment in units of the Fund. The prospectus that was issued in connection with the initial public offering of the Fund's units, as well as the Fund's annual information form, contains a discussion of these risks. These documents are available on the Fund's website at www.bromptongroup.com or on SEDAR at www.sedar.com. Below is a discussion of some of the more significant risks affecting the Fund during the first half of 2006.

Decline in the Net Asset Value of the Fund

The value of the portfolio investments held by the Fund can decline for a number of reasons including changes in commodity prices, increases in interest rates, environmental problems, changes to government regulations, adverse financial markets, insolvency, declines in asset values, operational and management difficulties or natural and other disasters. Among these factors, in the first half of 2006, the net asset value of the Fund was adversely affected by concerns over rising long-term interest rates in Canada which have contributed to volatility in the Canadian equity markets and volatility in the value of many income trusts. Over this period, the yield on the 10-year Government of Canada bond increased by approximately 70 basis points.

Interest Rate Exposure and Leverage

The Fund has borrowed amounts to invest in additional portfolio investments to increase the overall distributions of the Fund. If interest rates increase during a period when leverage is utilized, increased interest costs will reduce income available to be distributed. The Fund has borrowed largely in US dollars in order to hedge its foreign currency exposure to the US dollar bond holdings in its portfolio. With the continued rise in short-term US interest rates over the year, the Fund has benefited from the fixing of the interest rates on US$21.0 million, which represents approximately 58% of the total borrowings. The interest rates have been fixed on US$13.0 million to May 2008 and on US$8.0 million to July 2010.

Leverage can also impact the net asset value of the Fund as it will enhance the net asset value during a period when the Fund's investments have appreciated and will exacerbate the decline of net asset value during a falling market. The greater the amount of leverage, the greater the impact on net asset value of a rise or decline in market prices of the Fund's investments. During the first half of 2006, leverage had a negative impact on the net asset value as the value of the portfolio decreased. Since inception, leverage has had a positive impact on the net asset value of the Fund.

Significant Redemptions and Units Trading at a Discount

Units of the Fund are traded on the TSX and, subject to the applicable notice provision, are also redeemable each year, at the option of the unitholder, based on their net asset value per unit on the second last business day of December. Complete details on the redemption features of the Fund are available on the Fund's website at www.bromptongroup.com. It is not uncommon for closed-end funds to trade at a discount to their net asset value per unit. The purpose of the annual redemption right is to reduce the likelihood that units of the Fund trade at a substantial discount to net asset value per unit. While the redemption right provides unitholders with the option of annual liquidity for their units based on their net asset value per unit, the Fund may still trade at a discount during the year. In addition, if a significant number of units are redeemed, the trading liquidity of the units could be significantly reduced and expenses of the Fund would be spread over fewer units, resulting in a higher management expense ratio for the Fund.

Recent Developments

Distribution Rate to Increase

The Fund has earned net investment income in excess of distributions for over a year. As a result, the Fund plans to increase its monthly distribution by 8% to $0.09 per unit ($1.08 per annum) commencing with the distribution paid to unitholders of record on October 31, 2006.

Amalgamation of the Managers of Brompton Funds

On June 1, 2006, Brompton VIP Management Limited, the Manager of the Fund at the time, and 12 management companies of other Brompton Funds were amalgamated with Brompton Funds Management Limited. The amalgamation did not impact the operations or management of the Fund and did not change any of the terms of its management agreement.

The board of directors of Brompton Funds Management Limited is comprised largely of the same directors as Brompton VIP Management Limited and includes Peter A. Braaten, Chairman; James W. Davie; P. Michael Nedham; Arthur R.A. Scace; and Ken S. Woolner. The amalgamation did not affect the composition of the independent board members, nor the audit and corporate governance committees, which continue to be represented by Messrs. Davie, Scace and Woolner.

New Accounting Standard for Fiscal 2007

The Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") has issued CICA Section 3855: Financial Instruments – Recognition and Measurement. The new standards address the accounting and disclosure for financial instruments and were developed to harmonize accounting standards for financial instruments with those previously issued by the International Accounting Standards Board. Starting January 1, 2007, these new standards will impact the manner in which the net asset value of the Fund is determined. The new standards will change the way that fair value is determined for financial instruments; in particular, securities traded in an active market must be valued using a bid price. Currently, the Fund generally values exchange-traded securities at their closing prices and securities that are traded over-the-counter are generally valued at the average of the latest bid and ask prices. In addition, the new accounting standards will require that brokerage commissions be expensed and presented on the Statement of Operations. Currently, brokerage commissions are added to the adjusted cost base when a security is purchased or they are deducted from the proceeds of disposition when a security is sold. The new accounting standards will be applied prospectively and will not require the restatement of prior year financial statements. The change in the fair value of the securities held on January 1, 2007 will be recorded as an adjustment to opening retained earnings. The valuation methodology set out in the Fund's declaration of trust will be amended to comply with these new accounting standards.

Results of Operations

Distributions

During the period ended June 30, 2006, the Fund made monthly cash distributions which totalled $0.50 per unit. Since inception in February 2002, the Fund has paid cash distributions of $3.82697 per unit. The Fund has paid regular monthly distributions at or exceeding its original objectives.

Approximately 33% of the distributions in 2005 were classified as a return of capital for tax purposes. Based on the results of operations for the first six months of 2006 and assuming that the distributions from the Fund's underlying income trusts have the same tax breakdown as reported in 2005, it is currently expected that there will be no return of capital for 2006. The final breakdown for 2006 may differ significantly from this percentage as it will be affected by capital gains or losses realized in the second half of 2006 and the actual tax breakdown of distributions reported by underlying income trusts.

The Fund has a distribution reinvestment plan which allows participating unitholders to automatically reinvest monthly distributions in additional units of the Fund. For the period ended June 30, 2006, 17,062 units were acquired in the market pursuant to this plan at an average price of $14.06 per unit.

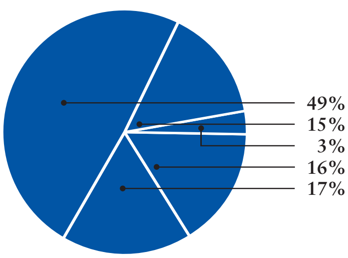
Net Asset Value

As a result of a decline in the value of the investment portfolio, the net asset value per unit of the Fund decreased over the six months ended June 30, 2006 by $0.23 per unit or 1.6% from $14.77 to $14.54. The aggregate net assets of the Fund decreased from $157.8 million on December 31, 2005 to $151.7 million on June 30, 2006.

Investment Portfolio

As of June 30, 2006, the Fund's investments included a total of 51 income trusts and 72 fixed income investments, which provide diversification by issuer, industry, and asset class. 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. The table below shows the net gains (losses) in the portfolio by sector. The Fund's portfolio experienced net losses of $4.3 million as the Fund's oil and gas funds was the only sector that generated net gains in the first half of 2006. Investors are reminded that this decline is less than what was paid out in distributions by the Fund over the period. The Fund's fixed income securities are high-yield debt and are mostly denominated in US dollars. In order to hedge the Fund's 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 foreign exchange hedging are included with the gains or losses on the fixed income securities to show the net gain from this investment activity.

Portfolio Sectors



Net Gains (Losses) by Sector (millions)		Realized		Unrealized		Total
Business funds	$	2.3	$	(6.0)	$	(3.7)
Oil and gas funds		3.2		(2.0)		1.2
Power and pipeline funds		—		—		—
Real estate investment trusts		0.7		(0.8)		(0.1)
Fixed income securities and foreign exchange		(0.2)		(1.5)		(1.7)
Total	**$**	**6.0**	**$**	**(10.3)**	**$**	**(4.3)**

The Fund has realized significant gains in 2006 as securities were sold to fund the 2005 redemption which amounted to $17.1 million and which was paid in January.

Liquidity and Capital Resources

As of June 30, 2006, the Fund had total borrowings of $40.5 million under its three credit facilities, which represented 21.0% of total assets or 26.7% of net assets. The Fund currently has a 364-day revolving credit facility and two term credit facilities. The current 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, 2006, the Fund had borrowings of $17.2 million outstanding under its revolving facility. Under one term loan, the Fund has borrowed $14.4 million (US$13.0 million) at a fixed rate of interest of 3.89% for a five-year period ending May 28, 2008 and under the second term loan, $8.9 million (US$8.0 million) is outstanding with a five-year term to July 14, 2010 and a fixed rate of interest of 4.86%.

With the rise of US short-term interest rates over the past six months, the Fund has benefited from having the interest rate fixed on a significant portion of its US borrowings. At June 30, 2006, borrowings in US dollars had an unrealized foreign exchange gain of $3.8 million which offsets foreign exchange losses on the Fund's US dollar securities. The term loans have 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 period ended June 30, 2006, the minimum and maximum amounts of borrowings were $28.8 million and $44.7 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 when 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 245,043 units were purchased in the first half of 2006 under this program at an average price of $13.82 per unit. Over the six months ended June 30, 2006, units of the Fund have traded at an average discount to their net asset value per unit of 5.7%.

Related Party Transactions

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 net asset value 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 net asset value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter. In the six months ended June 30, 2006, management and service fees amounted to $0.7 million and $0.3 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 financial statements and unaudited interim financial statements. The information in the following tables is presented in accordance with National Instrument ("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 Six Months Ended June 30, 2006	For the Years Ended December 31 2005	2004	2003	2002[1]
Net asset value, beginning of period[2]	**$ 14.77**	$ 13.70	$ 11.36	$ 9.29	$ 9.37
Increase (decrease) from operations:[3]					
Total revenue	**0.72**	1.32	1.25	1.26	0.96
Total expenses	**(0.19)**	(0.31)	(0.28)	(0.25)	(0.20)
Realized gain (loss) for the period	**0.58**	0.71	0.25	0.01	(0.16)
Unrealized gain for the period	**(0.86)**	0.30	2.20	2.04	0.05
Total increase in net assets from operations	**$ 0.25**	$ 2.02	$ 3.42	$ 3.06	$ 0.65
Distributions to unitholders:[2][4]					
From net investment income (excluding dividends)	**$ N/A**	$ 0.61	$ 0.48	$ 0.52	$ 0.35
From dividends	**N/A**	0.06	0.05	0.07	0.04
From net realized gain on investments	**N/A**	—	0.14	—	—
Return of capital	**N/A**	0.33	0.43	0.41	0.34
Total distributions to unitholders	**$ 0.50**	$ 1.00	$ 1.10	$ 1.00	$ 0.73
Net asset value, end of period	**$ 14.54**	$ 14.77	$ 13.70	$ 11.36	$ 9.29

(1) Period from February 19, 2002 (commencement of operations) to December 31, 2002.

(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) The actual tax breakdown for the 2006 distributions will be provided in the 2006 Annual Management Report of Fund Performance.

Ratios and Supplemental Data

	June 30, 2006	December 31 2005	2004	2003	2002
Net assets (in 000s)	**$ 151,716**	$ 157,761	$ 111,913	$ 103,102	$ 90,690
Number of units outstanding (in 000s)	**10,438**	10,683	8,170	9,077	9,763
Management expense ratio ("MER")[1][2]	**2.64%**	2.24%	2.45%	2.47%	9.09%
MER excluding interest expense and issuance costs[1][3]	**1.46%**	1.52%	1.51%	1.56%	1.59%
Portfolio turnover rate[4]	**8.93%**	17.75%	14.34%	28.04%	N/A
Trading expense ratio[5]	**0.05%**	0.05%	N/A	N/A	N/A
Closing market price	**$ 13.66**	$ 13.80	$ 13.30	$ 11.20	$ 9.50

(1) Annualized for the period from February 19, 2002 (commencement of operations) to December 31, 2002 and for the six months ended June 30, 2006.

(2) Management expense ratio 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, and is expressed as an annualized percentage of the average net assets of the period.

(3) MER excluding interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average net assets. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional revenues that have been generated from the investment of the leverage in income-generating assets.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor 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 is not provided when a fund is 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.

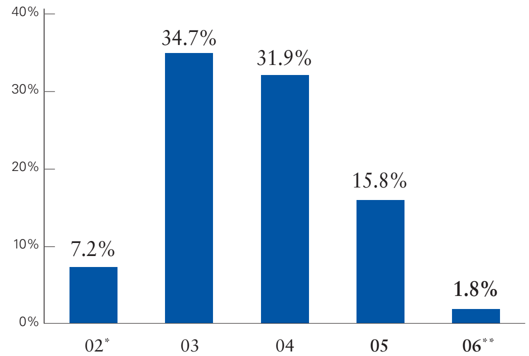
(5) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund during the period. This disclosure was a new requirement in 2005 under NI 81-106 and was not applied retroactively.

Past Performance

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

Year-by-Year Returns

The bar chart shows the Fund's return (based on net asset value per unit) and includes distributions made in each year since inception to June 30, 2006. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have increased or decreased by the last day of the fiscal period.



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

** For the period from January 1, 2006 to June 30, 2006.

Annual Compound Returns

The following table shows the Fund's compound return for the six month period ended June 30, 2006 and annual compound return since inception, compared with the S&P/TSX Capped Income Trust Index ("Income Trust Index"). The Income Trust Index is a broad-based composite index which may encompass any or all Global Industry Classification Standard ("GICS") sectors of the income trust marketplace. Income trusts that qualify for inclusion must derive their distribution income from actual operating entities.

	Six Months Ended June 30, 2006	Since Inception[1]
Brompton VIP Income Fund	**1.8%**	20.2%
S&P/TSX Capped Income Trust Index	**8.2%**	20.6%

[1] For the period from February 19, 2002 (commencement of operations) to June 30, 2006.

The Fund has generated a strong annual compound return of 20.2% only slightly underperforming the Income Trust Index. For the six months ended June 30, 2006, the Fund generated a return of 1.8%, which lagged the 8.2% of the Income Trust Index. The underperformance of the Fund was the result of its lower concentration in the oil and gas sector which generated a higher relative return compared to other income trust sectors, such as business trusts in which the Fund had a higher relative weighting. In 2006, the S&P/TSX Capped Energy Trust Index had a total return of 13.7%, outperforming business trusts which had a (0.1)% total return over the same period, as demonstrated by CIBC World Markets Business Trust Total Return Index. As at June 30, 2006, the Income Trust Index was comprised of about 50% oil and gas trusts and 30% business trusts while the Fund's portfolio included approximately 15% oil and gas trusts and 48% business trusts.

Summary of Investment Portfolio

As at June 30, 2006

Total net asset value	$ 151,716,019

Portfolio Composition	% of NAV
Business funds	59.6%
Fixed income investments	20.8%
Real estate investment trusts	19.3%
Oil and gas funds	18.9%
Power and pipeline funds	4.1%
Cash and short-term investments	0.9%
Total investment portfolio	123.6%
Other net liabilities	(23.6%)
Total net asset value	100.0%

Top 25 Holdings	% of NAV
ARC Energy Trust	6.8%
BFI Canada Income Fund	5.7%
Energy Savings Income Fund	5.6%
Davis + Henderson Income Fund	5.4%
Canadian Oil Sands Trust	4.1%
Northern Property REIT	4.0%
Summit REIT	3.9%
Gateway Casinos Income Fund	3.8%
Altus Group Income Fund	3.8%
Boston Pizza Royalties Income Fund	3.7%
RioCan REIT	3.6%
Livingston International Income Fund	3.5%
Northland Power Income Fund	2.9%
Focus Energy Trust	2.7%
SIR Royalty Income Fund	2.6%
Cineplex Galaxy Income Fund	2.6%
TimberWest Forest Corp.	2.3%
The Keg Royalties Income Fund	2.2%
Yellow Pages Income Fund	2.1%
Chemtrade Logistics Income Fund	2.1%
Westshore Terminals Income Fund	1.8%
InnVest REIT	1.6%
Huntingdon REIT	1.5%
H&R REIT	1.5%
Bonavista Energy Trust	1.5%

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

The Fund is actively managed by MFC Global Investment Management, a subsidiary of Manulife Financial Corp. and a top-ranked portfolio manager of income fund investments with extensive experience in income trusts and high-yield fixed income investments. The portfolio management team was led by Alan Wicks. With over 100 years experience and $230 billion in assets under management, MFC Global Investment Management is a leading investment management company.

Portfolio Manager's Report

Fund Review

The high-yield market, as measured by the Merrill Lynch Master II Index, Constrained, returned 2.51% for the first half of 2006, compared to (1.47)% for the Merrill Lynch Corporate Master Index and (3.87)% for 10-year US Treasuries. Lower-rated bonds outperformed higher-quality paper, and spreads tightened by 34 basis points. Income trusts, as measured by the Scotia Capital Income Trust Index Overall, returned 6.71%. The best-performing sectors were resources returning 25.45%, energy returning 7.23%, and consumer returning 4.50%. The poorest were utilities & infrastructure returning 2.25% and industrials returning 0.00%.

The US Federal Reserve pushed rates higher. Four successive 25 basis point increases took the rate to 5.25% and boosted the 10-year Treasury from 4.39% to 5.14%. Inflation concerns persist as the economy nears capacity, but it appears the Fed may now indeed be close to a pause. In the near term, markets, and the Fed, will be influenced primarily by economic data on the strength of economic activity and inflation. The Bank of Canada also made four consecutive 25 basis point increases. During the same period, the Canadian dollar appreciated by 4.57%, but is expected in the near term to remain relatively stable against the US dollar.

Trading activity in the trust's high-yield portfolio maintained yield and credit quality. Major changes included the addition of positions in William Scotsman Inc. and Clarke American Checks Inc. and additions to positions in AMC Entertainment Inc., Herbst Gaming Inc., and GSC Holdings Corp. Holdings in Healthsouth Corp. and Meritor Automotive Inc. were sold.

Few changes were made to the income trust component. Some profits were taken on Shiningbank Energy Income Fund. The asset mix of the income trust portfolio was altered slightly, but remains focused on business trusts, which account for approximately 50% of holdings.

Outlook and Strategy Moving Forward

Business trusts are favoured for their ability to grow distributions in a period when interest rates might rise significantly and quickly – the biggest risk for income trusts generally. However, interest rates are expected to remain range-bound in the near term, and some steepening of the yield curve is anticipated as expectations of slower economic growth are priced into the market. The Canadian dollar is expected to remain relatively stable in the near term. Within the US, although concerns about rising inflation persist, the Fed may be close to ending its monetary tightening. In the near term, markets will be directed by data on economic activity and inflation.

The overall Fund strategy continues to focus on the construction of a well diversified portfolio that is positioned to meet its yield target and to preserve the underlying capital of the Fund. The Fund will continue to invest in quality trusts that trade at compelling valuations, and its high-yield component will maintain its defensive stance.

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 upon 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.