BROMPTON FUNDS

BROMPTON SPLIT BANC CORP.

SBC, SBC.PR.A

Passive, equal weight portfolio of the equity securities of the "Big Six" Canadian banks, using a split share structure. The Preferred shares are rated Pfd-2 by DBRS.

Management Report of Fund Performance

August 14, 2008

This interim management report of fund performance for Brompton Split Banc Corp. (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.

Shareholders 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 Split Banc Corp. is a mutual fund corporation managed by Brompton Funds Management Limited (the "Manager"). The Fund has Class A and Preferred shares outstanding which trade on the Toronto Stock Exchange ("TSX") under the symbols SBC and SBC.PR.A, respectively. The Class A and Preferred shares are RRSP, DPSP, RRIF and RESP eligible. The Preferred shares are rated Pfd-2 by Dominion Bond Rating Service Limited. The Class A and the Preferred shares are scheduled to be redeemed by the Fund on November 30, 2012.

Investment Objectives and Strategies

The Fund's investment objectives are:

(i) to provide holders of Preferred shares with fixed, cumulative, preferential cash distributions in the amount of $0.13125 per share and to return the original issue price to shareholders on November 30, 2012, and

(ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be $0.10 per share and with the opportunity for growth in net asset value per share.

To achieve these objectives, the Fund invests in a common share portfolio of the following six Canadian banks on an equally weighted basis at the time of investment and on any subsequent rebalancing:

Bank of Montreal	Royal Bank of Canada
Canadian Imperial Bank of Commerce	The Bank of Nova Scotia
National Bank of Canada	The Toronto-Dominion Bank

Highstreet Asset Management Inc. ("Highstreet") is the Fund's option advisor and is responsible for investing the common share portfolio. The portfolio is rebalanced, at least annually, to adjust for changes in the market value of investments and to reflect the impact of a merger or acquisition affecting one or more of the banks. In addition, the Fund may sell investments for working capital purposes or replace investments with proceeds from the exercise of covered call options previously written. Highstreet also has the discretion to write covered call options and cash covered put options in respect of the portfolio to generate additional distributable income for the Fund.

Risks

Risks associated with an investment in the shares 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 shares of the Fund.

Recent Developments

Credit Exposure of Canadian Financial Institutions and the Global "Credit Crunch"
During 2007, a downturn in the US housing market, particularly the portion financed by subprime debt, led to a tightening of global credit markets ("credit crunch"). The global credit crunch has continued throughout 2008. Negative investor sentiment towards financial firms with potential exposure to subprime mortgages, or other higher risk assets, has resulted in significant decreases in equity prices for global financial institutions. Those institutions with greater subprime exposure, such as broker dealers and large-cap US and international banks, have experienced the largest write-downs and the largest decreases in their equity prices. Certain Canadian banks have not been immune and have announced significant write-downs in 2007 and 2008. While the overall exposure of Canadian banks to higher credit risk assets was significantly less than that of their international peers, the share prices of the Canadian banks also experienced decreases.

Since the summer of 2007, the market capitalization of Canadian banks as a whole has decreased. The Manager continues to have a positive long-term view on Canadian banks as they provide investors with quality earnings, high dividend rates and the strong potential for capital appreciation.

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 Class A Share 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

Distributions
For the six months ended June 30, 2008, the Fund declared distributions of $0.60 per Class A share and $0.2625 per Preferred share, which is unchanged from the same period in 2007. Both amounts met the Fund's objectives. Since inception, the Fund has distributed $3.15 per Class A share and $1.38 per Preferred share.

Revenues and Expenses
As a result of increases in the dividend rates of all of the six banks in the portfolio during the first half of 2008, the Fund's investment portfolio generated dividend income of $0.49 per Class A share for the period, which was an increase from $0.45 per unit in the first six months of 2007. Total expenses were $0.10 per Class A share for the six months ended June 30, 2008, compared to $0.14 in the first half of 2007. This decline was primarily due to the lower average net asset value which lowered management fees and service fees on a per Class A share basis. As well, no bank interest was incurred in 2008 as the Fund's credit facility was terminated in October 2007.

Net Asset Value
As a result of the decline in the value of the Fund's investment portfolio and the impact of leverage from the Preferred shares, the net asset value per Class A share decreased over the period by $3.28 per share, or 25.7%, from $12.75 to $9.47. The value of financial stocks declined during the first half of 2008 as the global credit crunch continued and economic growth weakened.

The net asset value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The net asset value of the Fund decreased from $157.5 million at the end of 2007 to $134.8 million at June 30, 2008 as the value of bank stocks declined.

Investment Portfolio
As of June 30, 2008, the Fund's investments included Bank of Montreal, Canadian Imperial Bank of Commerce, National Bank of Canada, Royal Bank of Canada, the Bank of Nova Scotia, and the Toronto-Dominion Bank. During the six months ended June 30, 2008, Highstreet did not write any options on the Fund's portfolio securities. For the first six months of 2008, the Fund had net realized and unrealized losses of $19.4 million.

Liquidity and Capital Resources
To provide liquidity, the Class A shares and Preferred shares of the Fund are listed on the TSX under the symbols SBC and SBC.PR.A, respectively. Over the period, Class A shares and Preferred shares traded at an average combined premium to their combined net asset value per share of 1.6%. Investors may also retract their shares in accordance with their retraction 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 0.55% per annum of the Published NAV of the Fund. The Manager is responsible for providing management and administrative services to the Fund and for paying the fees to the Option Advisor. 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 Class A shares. The service fee is in turn paid by the Manager to the investment dealers based on the proportionate number of Class A shares held by clients of such dealers at the end of each calendar quarter. During the six-month period ended June 30, 2008, management and service fees amounted to $0.4 million and $0.1 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 shares outstanding during the period, and all other numbers are based on actual shares outstanding at the relevant point in time.

Net Asset Value per Class A Share

	For the Six Months Ended June 30, 2008	For the Year Ended December 31 2007	2006	2005[1]
Net asset value, beginning of period/year[2][3]	$ **12.71**	$ 17.31	$ 14.61	$ 13.68
Increase (decrease) from operations:[4]				
Total revenue	**0.49**	0.94	0.80	0.14
Total expenses	**(0.10)**	(0.26)	(0.26)	(0.04)
Preferred share distributions	**(0.26)**	(0.52)	(0.52)	(0.07)
Realized gain (loss) for the period/year	**0.02**	0.81	—	—
Unrealized gain (loss) for the period/year	**(2.85)**	(4.36)	3.82	1.06
Total increase (decrease) in net assets from operations	$ **(2.70)**	$ (3.39)	$ 3.84	$ 1.09
Distributions to Class A shareholders:[3]				
Dividends	$ **N/A[5]**	$ 0.07	$ —	$ —
Return of capital	**N/A[5]**	1.13	1.20	0.15
Total distributions to Class A shareholders	$ **0.60**	$ 1.20	$ 1.20	$ 0.15
Net asset value, end of period/year[2][3]	$ **9.41**	$ 12.71	$ 17.32	$ 14.61

(1) Period from November 16, 2005 (commencement of operations) to December 31, 2005.

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

(3) Net asset values per Class A share and distributions per Class A share are based on the actual number of Class A shares outstanding at the relevant time.

(4) The increase (decrease) in net assets from operations per Class A share is based on the weighted average number of Class A shares outstanding over the fiscal period.

(5) 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[1]
Net assets (in 000s) – including Preferred shares	$ **134,799**	$ 157,475	$ 203,388	$ 150,960
Number of Class A shares outstanding (in 000s)	**6,923**	6,923	7,445	6,135
Management expense ratio ("MER")[2]	**3.44%**	2.96%	3.09%	8.73%
Portfolio turnover rate[3]	**3.90%**	0.34%	—	N/A
Trading expense ratio[4]	**0.02%**	0.01%	0.02%	0.05%
Closing market price – Preferred shares	$ **10.08**	$ 9.95	$ 10.52	$ 10.76
Closing market price – Class A shares	$ **10.46**	$ 12.00	$ 16.19	$ 15.50

(1) Annualized, if applicable, for the period from November 16, 2005 (commencement of operations) to December 31, 2005.

(2) MER is based on the requirements of NI 81-106 and includes the total expenses of the Fund for the stated period, including distributions on Preferred shares and issuance costs, but excluding brokerage commission on securities transactions, and is expressed as an annualized percentage of the average net assets of the Fund (includes Class A and Preferred shares) over the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's option 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 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.

(4) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets of the Fund during the period.

Expense Ratio

The MER of the Fund, which includes Preferred share distributions, was 3.44% as at June 30, 2008, compared to 2.96% the previous year. The increase was due to the increased burden of fixed costs on the lower net asset value in 2008. In each year, the ratio is exaggerated by the inclusion of distributions paid on the Preferred shares.

The MER, excluding Preferred share distributions, was 1.81% for the period, compared to 1.53% in the same period in 2007. This latter ratio is more representative of the ongoing efficiency of the administration of the Fund.

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 net asset value per Class A share and assumes that distributions made by the Fund on the Class A shares in the periods shown were reinvested (at Published NAV per Class A share) in additional Class A shares of the Fund.

The bar chart shows the Fund's return for a Class A share for the six-month period ended June 30, 2008, and for each year since inception. The chart shows, in percentage terms, how an investment held in a Class A share on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns

(1) Period from November 16, 2005 (commencement of operations) to December 31, 2005.

(2) Period from January 1, 2008 to June 30, 2008.

The following table shows the Fund's compound return for the six-month period ended June 30, 2008, and annual compound return since inception, compared with the S&P/TSX Capped Financials Index ("Financials Index") and the S&P/TSX Composite Index ("Composite Index"). The Financials Index is derived from the S&P/TSX Composite Index based on the financials sector of the Global Industry Classification Standard and includes real estate companies and real estate investment trusts. The Composite Index tracks the performance, on a market weight basis, of approximately 300 large stocks listed on the TSX. The Financials Index and the Composite Index are calculated without the burden 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 Split Banc Corp. – Class A shares(2)	**(21.6%)**	(5.5%)
S&P/TSX Capped Financials Index	**(12.2%)**	3.2%
S&P/TSX Composite Index	**6.0%**	14.9%

(1) Period from November 16, 2005 (commencement of operations) to June 30, 2008.

(2) Based on the Published NAV per Class A share and assuming that distributions on the Class A shares made by the Fund in the periods shown were reinvested (at Published NAV per Class A share) in additional Class A shares of the Fund.

The Fund is designed to provide investors with a leveraged investment in the six major banks in Canada. In the first half of 2008, the global credit crunch continued and economic growth weakened, causing further declines in the value of the Fund's portfolio. Class A shares of the Fund generated a negative return of 21.6% for the six months ended June 30, 2008, and, as a result, underperformed the Financials Index by 9.4% during the interim period. The portfolio of the six banks held by the Fund underperformed the broader Financials Index, which includes other financial stocks including insurance companies which had better performance than the banks. The Fund also underperformed the broad-based Composite Index in the six months ended June 30, 2008, as financials were one of the weakest sectors in the Composite Index during the period.

The Class A shares of the Fund employ leverage provided by the Preferred shares. Consequently, any return on the portfolio which is greater than the Preferred share's coupon of 5.25% will provide additional positive returns for the Fund and any return on the portfolio of less than 5.25% will provide additional negative returns for the Fund. During the period, the Preferred shares had a negative impact on the performance of the Class A shares as the Class A shares bear the cost of the Preferred shares and the leverage provided by the Preferred shares magnified the portfolio's negative returns. Since inception, the Fund has underperformed the Financials Index due to the administration fees, which are represented in the MER, and the negative impact of leverage.

Summary of Investment Portfolio

As at June 30, 2008

Total Published NAV[(1)]	$ 134,798,673

Portfolio Composition	% of Portfolio	% of Published NAV
Financials	99.7%	100.4%
Cash and short-term investments	0.3%	0.3%
Total investment portfolio	100.0%	100.7%
Other net liabilities		(0.7%)
Total net asset value		100.0%

Holdings	% of Portfolio	% of Published NAV
National Bank of Canada	17.7%	17.8%
The Toronto-Dominion Bank	17.6%	17.8%
The Bank of Nova Scotia	17.4%	17.5%
Royal Bank of Canada	16.8%	16.9%
Bank of Montreal	15.8%	15.9%
Canadian Imperial Bank of Commerce	14.4%	14.5%
Cash and short-term investments	0.3%	0.3%

(1) Net asset value of the Fund includes the value of the Preferred shares.

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.

Option Advisor

Highstreet Asset Management Inc.

Highstreet Asset Management is a quantitatively oriented investment manager with over $5 billion in assets under management. Highstreet has significant experience in the derivatives and options markets. Highstreet uses its quantitative approach to selectively write covered call and put options from time to time to enhance potential returns.

HIGHSTREET
ASSET MANAGEMENT INC.

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 Financial Position (Unaudited)

As at	June 30, 2008	Dec. 31, 2007
Assets		
Investments, at market value	**$ 134,916,699**	$ 167,731,880
Cash and short-term investments	**387,755**	61,532
Income receivable	**844,513**	903,476
Total assets	**136,148,967**	168,696,888
Liabilities		
Accounts payable and accrued liabilities	**188,977**	136,475
Distributions payable to shareholders (note 7)	**1,601,030**	1,601,030
Retractions payable to shareholders	**—**	9,710,168
Preferred shares (note 5)	**69,233,750**	69,233,750
Total liabilities	**71,023,757**	80,681,423
Shareholders' equity		
Class A shares (note 4)	**98,271,192**	98,271,192
Class J shares (note 4)	**100**	100
Contributed surplus (note 4)	**564,642**	564,642
Deficit	**(33,710,724)**	(10,820,469)
Total shareholders' equity	**65,125,210**	88,015,465
Liabilities and shareholders' equity	**$ 136,148,967**	$ 168,696,888
Units outstanding (note 4)	**6,923,375**	6,923,375
Net asset value per unit	**$ 19.41**	$ 22.71
Net asset value per Preferred share	**$ 10.00**	$ 10.00
Net asset value per Class A share	**$ 9.41**	$ 12.71

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

Statements of Operations and Retained Earnings (Deficit) (Unaudited)

For the six months ended June 30	2008	2007
Income		
Dividends	$ 3,365,120	$ 3,382,506
Securities lending income (note 10)	1,767	18,995
Interest income	943	6,083
	3,367,830	3,407,584
Expenses		
Management fees (note 8)	426,654	577,086
Service fees (note 8)	132,650	266,856
Audit fees	17,362	15,882
Independent review committee and director fees	14,958	21,324
Custodial fees	7,678	10,716
Legal fees	6,490	2,751
Shareholder reporting costs	27,313	7,064
Other administrative expenses	69,419	55,177
Interest and bank charges (note 11)	—	61,233
	702,524	1,018,089
Net investment income before distributions	2,665,306	2,389,495
Distributions on Preferred shares (note 7)	(1,817,386)	(1,940,287)
Net investment income	847,920	449,208
Net realized gain on sale of investments (note 9)	114,068	4,116,529
Transaction costs (note 2)	(13,798)	(6,883)
Net change in unrealized gain/loss on investments	(19,684,420)	(5,748,086)
Decrease in net assets from operations	(18,736,230)	(1,189,232)
Retained earnings (deficit), beginning of period	(10,820,469)	23,308,633
Excess of stated value paid on repurchase of units	—	(121,708)
Distributions on Class A shares (note 7)	(4,154,025)	(4,451,772)
Retained earnings (deficit), end of period	$ (33,710,724)	$ 17,545,921
Decrease in net assets from operations per Class A share[1]	$ (2.71)	$ (0.16)

(1) Based on the weighted average number of Class A shares 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:		
Decrease in net assets from operations	**$ (18,736,230)**	$ (1,189,232)
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments (note 9)	**(114,068)**	(4,116,529)
Net change in unrealized (gain) loss on investments	**19,684,420**	5,748,086
Decrease (increase) in income receivable	**58,963**	22,827
Increase (decrease) in distributions payable to Preferred shareholders	**—**	(12,390)
Increase (decrease) in accounts payable and accrued liabilities	**52,502**	(54,594)
Purchase of investments (note 9)	**(5,828,051)**	—
Proceeds from sale of investments (note 9)	**19,072,880**	25,307,817
Cash provided by operating activities	**14,190,416**	25,705,985
Cash flows from financing activities:		
Refund (payment) of agents' fees and issuance costs (note 4)	**—**	83,936
Amounts paid for retraction of Class A shares	**(5,461,218)**	(12,717,852)
Amounts paid for retraction of Preferred shares	**(4,248,950)**	(7,975,572)
Increase (decrease) in loans payable	**—**	(639,010)
Distributions paid to Class A shareholders (note 7)	**(4,154,025)**	(4,461,212)
Cash used in financing activities	**(13,864,193)**	(25,709,710)
Net increase (decrease) in cash and short-term investments	**326,223**	(3,725)
Cash and short-term investments, beginning of period	**61,532**	36,031
Cash and short-term investments, end of period	**$ 387,755**	$ 32,306
Supplemental information:		
Interest paid	**$ —**	$ 59,941
Distributions paid on Preferred shares (note 7)	**$ 1,817,386**	$ 1,952,677

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

Statements of Changes in Shareholders' Equity (Unaudited)

For the six months ended June 30	2008	2007
Shareholders' equity, beginning of period (note 3)	**$ 88,015,465**	$ 128,897,503
Operations:		
Decrease in net assets from operations	**(18,736,230)**	(1,189,232)
Shareholder transactions:		
Distributions to shareholders (note 7)	**(4,154,025)**	(4,451,772)
Proceeds from issuance of Class A shares (note 4)	**—**	83,936
Retraction of Class A shares	**—**	(1,544,425)
Net decrease in shareholders' equity	**(22,890,255)**	(7,101,493)
Shareholders' equity, end of period	**$ 65,125,210**	$ 121,796,010
Distributions per Class A share (note 7)	**$ 0.60**	$ 0.60

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

Statement of Investments (Unaudited)

As at June 30, 2008		Cost	Fair Value	% of Portfolio
No. of Shares	**Financials**			
505,600	Bank of Montreal	$ 29,368,125	$ 21,437,440	
347,250	Canadian Imperial Bank of Commerce	26,260,336	19,418,220	
474,400	National Bank of Canada	29,013,929	23,938,224	
497,670	Royal Bank of Canada	21,994,080	22,634,032	
506,000	The Bank of Nova Scotia	22,690,555	23,615,020	
372,620	The Toronto-Dominion Bank	22,179,246	23,873,763	
		151,506,271	**134,916,699**	**100.0%**
	Embedded Broker Commission (note 2)	(40,650)	—	
	Total	**$ 151,465,621**	**$ 134,916,699**	**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 Split Banc Corp. (the "Fund") is a mutual fund corporation established under the laws of the Province of Ontario on September 14, 2005. Brompton Funds Management Limited (the "Manager") is responsible for managing the affairs of the Fund. Brompton Capital Advisors Inc. manages the Fund's portfolio and Highstreet Asset Management Inc. is the Option Advisor. RBC Dexia Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund commenced operations on November 16, 2005.

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 new 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 price 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 therefore are 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 and options include net realized gains or losses from foreign currency changes.

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected as an asset or liability, respectively, in the Statement of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration, repurchase or exercise of the option are included in net realized gains or losses on options.

Notes to the Financial Statements (Unaudited) (continued)

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 (Deficit).

f) 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 an accrual basis and included in the Statement of Operations and Retained Earnings (Deficit).

g) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3862, income receivable is designated as loans and receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities, distributions payable to shareholders and retractions payable to shareholders are designated as financial liabilities and reported at cost or amortized cost. The fair value of Preferred shares as at June 30, 2008 amounted to $69,579,919. Cost or amortized cost approximates fair value for these assets and liabilities (other than Preferred shares) due to their short-term nature.

h) 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 adjustment to the net asset value and retained earnings as at January 1, 2007 as a result of applying Section 3855 was a decrease of $38,130. 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	**$ 65,564,923**	**$ 9.47**	$ 88,241,717	$ 12.75
Section 3855 adjustment	**(439,713)**	**(0.06)**	(226,252)	(0.04)
GAAP NAV	**$ 65,125,210**	**$ 9.41**	$ 88,015,465	$ 12.71

4. SHARE CAPITAL

Class J Shares

The Fund is authorized to issue an unlimited number of Class J shares.

As of June 30, 2008, 100 (2007 – 100) Class J shares were outstanding.

Class J shares are not entitled to receive dividends but are entitled to one vote per share. The Class J shares are redeemable and retractable at a price of $1.00 per share. The Class J shares rank subsequent to both the Preferred shares and the Class A shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund.

Class A Shares

The Fund is authorized to issue an unlimited number of Class A shares.

The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears or (ii) after the payment of the distributions by the Fund, the Published NAV per unit is less than $15.00. A unit means a notional unit consisting of one Preferred share and one Class A share. The Class A shares rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. Each Class A share is entitled to one vote on certain shareholder matters.

All Class A shares outstanding on November 30, 2012 will be redeemed by the Fund on that date. The redemption price payable by the Fund for a Class A share on that date will be equal to the greater of (i) the Published NAV per unit on that date minus the sum of $10.00 plus any accrued and unpaid distributions on the Preferred shares and (ii) nil.

Class A shares may be surrendered at any time for retraction by the Fund but at least 10 business days prior to the second last business day of a month (“Retraction Date”). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a price per Class A share equal to 96% of the difference between (i) the Published NAV per unit determined as of the relevant Retraction Date and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. The cost of the purchase of a Preferred share includes the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund’s portfolio required to fund such purchase. If the Published NAV per unit is less than $10.00, the retraction price of a Class A share will be nil.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the December Retraction Date of each year at a price per unit equal to the Published NAV per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A shares and the Preferred shares must both be surrendered for retraction at least 10 business days prior to the December Retraction Date.

The weighted average number of Class A shares outstanding for the period ended June 30, 2008 was 6,923,375 (2007 – 7,434,393).

As at June 30, 2008, the Fund had accumulated contributed surplus, since inception, of $564,642 (2007 – $564,642). Contributed surplus is recorded when shares of the Fund are retracted at prices per share which are below the average cost per share of shareholders’ equity.

5. PREFERRED SHARES

The Fund is authorized to issue an unlimited number of Preferred shares.

Holders of Preferred shares are entitled to receive fixed, cumulative, preferential quarterly cash distributions of $0.13125 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters.

All Preferred shares outstanding on November 30, 2012 will be redeemed by the Fund on that date. The redemption price payable by the Fund for a Preferred share will be equal to the lesser of (i) $10.00 plus any accrued and unpaid distributions thereon and (ii) the Published NAV of the Fund on that date divided by the number of Preferred shares then outstanding.

Preferred shares may be surrendered at any time for retraction by the Fund but at least 10 business days prior to the second last business day of a month (“Retraction Date”). Shareholders whose Preferred shares are retracted will be entitled to receive a price per share equal to 96% of the lesser of (i) the Published NAV per unit determined as of the relevant Retraction Date less the cost to the Fund of the purchase of a Class A share for cancellation and (ii) $10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the December Retraction Date of each year, at a price per unit equal to the Published NAV per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred shares and Class A shares must both be surrendered for retraction at least 10 business days prior to the December Retraction Date.

The Preferred shares have been presented as financial liabilities in the financial statements in accordance with the requirements of the CICA Handbook.

6. CAPITAL MANAGEMENT

The Fund considers its capital to consist of Class A, Class J and Preferred shares.

The Fund’s objectives in managing its capital are:

(i) to provide holders of Preferred shares with fixed, cumulative preferential quarterly cash distributions in the amount of $0.13125 per share and to return the original issue price to holders of the shares on November 30, 2012; and

(ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be $0.10 per share and the opportunity for growth in net asset value per share.

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 shareholders or return capital to shareholders.

Notes to the Financial Statements (Unaudited) (continued)

7. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the period ended June 30, 2008, the Fund declared distributions of $0.60 (2007 – $0.60) per Class A share and $0.2625 (2007 – $0.2625) per Preferred share, which amounted to $4,154,025 (2007 – $4,451,772) and $1,817,386 (2007 – $1,940,287), respectively.

8. 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 0.55% per annum of the Published NAV of the Fund, plus applicable taxes. The Published NAV of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Preferred shares are not considered a liability of the Fund. The Manager is responsible for paying fees to Brompton Capital Advisors Inc., the advisor for the Fund, and to Highstreet Asset Management Inc., the Option Advisor for the Fund. These fees are calculated and payable monthly. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Published NAV of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers in proportion to the number of shares held by clients of each dealer at the end of each calendar quarter.

9. INVESTMENT TRANSACTIONS

Investment transactions for the periods ended June 30 were as follows:

	2008	2007
Proceeds from sale of investments	$ 17,281,764	$ 1,300,542
Less cost of investments sold:		
Investments at cost, beginning of period	259,505,250	282,057,000
Investments purchased during the period	10,132,232	—
Investments at cost, end of period	(254,797,098)	(280,947,292)
Cost of investments sold during the period	14,840,384	1,109,708
Net realized gain on sale of investments	$ 2,441,380	$ 190,834

Brokerage commissions on investments purchased and sold during the period ended June 30, 2008 amounted to $13,798 (2007 – $6,883). The brokerage commissions paid to dealers included $1,713 (2007 – nil) that was available for payment to third party vendors, of which $925 (2007 – nil) was used for research and $788 (2007 – nil) was used for market data services by the Option Advisor.

10. SECURITIES LENDING

The Fund entered into a securities lending program in October 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 $8.0 million (2007 – $11.0 million) and $8.5 million (2007 – $11.8 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. 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 professional, experienced option advisors and by regular rebalancing of the investment portfolio within the constraints of the investment objectives. 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 Canadian dollar denominated equity securities.

a) 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 Option Advisor attempts to moderate this risk through the careful management of securities 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 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 $13.5 million (approximately 20.7% of total net assets of Class A shares). In practice, the actual trading results may differ, and the difference could be material.

b) 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 did not have a significant credit risk exposure as at June 30, 2008. The carrying amount of income receivable represents the maximum credit risk exposure as it 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 Fund has entered a securities lending program with its custodian; see note 10. 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.

c) 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 monthly and annual retractions of Class A shares and Preferred shares. The amount involved in monthly retractions has been minimal. For the annual retractions of Class A shares and Preferred shares, the Fund receives notice at least 10 business days prior to the Retraction Date, which gives the Option Advisor time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price. All Class A shares and Preferred shares outstanding on November 30, 2012 will be redeemed by the Fund on that date.

Corporate Information

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