

# Q1

First Quarter Report 2003





## Brompton Group

Brompton Group is a leading provider of specialized financial products and services to corporate, institutional and individual clients. Brompton's success is achieved by offering innovative, well conceived products on fair terms with low fees and supported by the highest levels of corporate governance. Brompton aligns its interests with those of its clients by co-investing in the products that it manages.

The management and directors of Brompton are a highly respected group of accomplished business leaders. The extensive experience, track record and integrity of its people are Brompton's most valuable assets.

Asset management services are provided by Brompton Management Limited and its subsidiaries. Brompton currently manages three public investment funds and private capital in excess of \$300 million in assets. Brompton also offers financial advisory and merchant banking services to its clients.

## The Brompton Approach

Brompton's commitment to high quality investments and fair investor terms is continuously demonstrated in its approach to product development and fund management. This fundamental approach to conducting business is applied to all Brompton investment products and features the following attributes:

- **Top-Ranked Performance**

Brompton partners with top-ranked portfolio managers to achieve superior performance.

- **Innovative Financial Structure**

The growing family of Brompton funds is designed to meet specific needs of investors on a tax-efficient basis.

- **Fair Investor Terms**

Product terms are incorporated to protect the interests of the investors. Annual redemption rights at 100% of net asset value and protection against entrenched management and dilutive secondary issues are built into every fund.

- **Low Cost**

Low management fees and administrative expenses enhance the overall return to investors.

- **Strong Corporate Governance**

A strong, experienced and independent Board of Directors is engaged to protect the interests of investors. Brompton has adopted the TSX's recommended guidelines for corporate governance.

- **Alignment of Interests**

Brompton co-invests its own capital in each of its funds thereby aligning its interests with those of its investors.



**BROMPTON** **VIP** **INCOME TRUST**

We are pleased to announce the unaudited financial results of BromptonVIP Income Trust (“VIP” or the “Fund”) for the quarter ended March 31, 2003.

The significant highlight of the first quarter was the Fund’s announcement that it was increasing its rate of distribution per unit from \$0.975 to \$1.00 per annum as a result of it achieving higher than targeted yields on its investment portfolio. The Fund has also recorded strong growth in net asset value since the start of the year, increasing 2.5% over the first quarter and 7.0% to May 13, 2003. Gains on business fund investments and opportunistic hedging of its US dollar exposure were the main contributors to VIP’s positive performance.

The income funds market, and in particular the business funds sector, have grown substantially over the past year. During this period, 32 initial public offerings of income funds were completed raising approximately \$4.7 billion. The market value of income funds now exceeds \$48 billion. This growth in the number of new participants has given VIP a much wider universe of attractive issuers, industries and yields from which to select.

#### **Financial**

The Fund has continued its heavy weighting in business funds. As at March 31, 2003, business funds represented 48.7% of the market value of the investment portfolio. Fixed income investments represented the second largest weighting at 20.4%, a substantial portion of which was in US dollar denominated securities. VIP had \$22.9 million outstanding under its credit facility at the end of the quarter.

Income from investments for the quarter totalled \$3.0 million (2002 - \$0.7 million) which after expenses of \$0.6 million (2002 - \$0.2 million) resulted in net investment income of \$2.4 million (2002 - \$0.5 million). In October, 2002, the Fund hedged its US dollar exposure associated with the market value of its fixed income holdings. As a result, the Fund has been insulated from the 8.9% depreciation in the US dollar through substantial realized and unrealized gains on its foreign exchange position, offsetting the unrealized loss on its US securities. Over the quarter, the Fund also had a \$1.7 million unrealized gain from the strong performance of its business fund investments. These factors were the main contributors to the \$2.3 million in realized and unrealized gains on investments which, combined with net investment income, provided overall results from operations of \$4.7 million or \$0.48 per unit.

Management fees, service fees paid to investment dealers and general and administrative costs totalled \$0.37 million, which when annualized represents a management expense ratio of 1.64% based on net asset value and 1.30% based on total assets.

#### **Monthly Distributions**

The Fund has met all of its monthly distributions at the targeted rates. During the first quarter, total monthly distributions of \$0.24583 per unit were declared. Commencing with the distribution paid on April 14, 2003 to unitholders of record on March 31, 2003, the Fund increased the monthly cash distribution to \$0.08333 or \$1.00 per annum.

The breakdown of the annual distributions for tax purposes was made available to unitholders in early March, 2003 and was also posted on the VIP website at [www.bromptongroup.com](http://www.bromptongroup.com). For the year ended December 31, 2002, approximately 47% of the distributions represented return of capital which reduces the adjusted cost base of the units to the unitholders and results in a deferral of income tax. Realized gains from our prudent hedging strategy will reduce the return of capital portion of the distributions in 2003 by approximately 10%, but such gains will be taxable at favourable capital gains rates.

#### **Reinvestment Plan**

VIP’s Reinvestment Plan allows unitholders who elect to do so to automatically reinvest monthly distributions in additional units of the Fund. This provides unitholders with an excellent opportunity to benefit from compounding by investing distributions at the high reinvestment rate offered by the Fund. Please contact your investment advisor to enrol in the plan.

The Reinvestment Plan also allows plan participants to purchase additional units for cash, to a maximum investment of \$20,000 per calendar year per plan participant. In certain circumstances, units acquired pursuant to the Reinvestment Plan may be at a price below the then prevailing market price for the units. Additional information is available on the VIP website at [www.bromptongroup.com](http://www.bromptongroup.com).

Respectfully Submitted on Behalf of the Board,

signed

signed

#### **Raymond R. Pether**

Chief Executive Officer

BromptonVIP Management Limited

May 15, 2003

#### **Donald W.C. Lillie**

President

BromptonVIP Management Limited

This quarterly report contains forward-looking information. The Fund is not obligated to update or revise forward-looking information. Actual results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the Fund’s prospectus and other documents filed with regulatory authorities.

### Investment Profile

Brompton VIP Income Trust is an investment income fund, formed to invest in a portfolio of high-income securities across a broad range of specialized vehicles in various industries and geographic areas including business funds, power and pipeline funds, oil and gas funds, real estate investment trusts, high-yield debt and other investments. The objectives of the Fund are:

- to provide unitholders with a high level of income through receipt of monthly distributions in a tax efficient manner which are currently \$1.00 per unit per annum;
- to enhance performance by reducing the risk of investing in high-income investments through diversification, careful selection and active management of the Fund's assets; and
- to preserve the net asset value of the Fund.

### Fund Manager

Brompton VIP Management Limited, a member of the Brompton Group of Companies, is the Manager of the Fund. The Brompton Group is a financial services organization that specializes in asset management, merchant banking and securities and advisory services. For more information, please visit the website at [www.bromptongroup.com](http://www.bromptongroup.com).

### Portfolio Manager

MFC Global Investment Management ("MFC"), a division of Elliott & Page Limited, is the portfolio manager of the Fund and is responsible for the investment of the Fund's assets. MFC is a member of the Manulife Financial group of companies.

### Investment Highlights

	Mar 31, 2003	Dec 31, 2002	Sept 30, 2002	June 30, 2002	Mar 31, 2002
Net asset value per unit	\$ 9.52	\$ 9.29	\$ 9.52	\$ 9.59	\$ 9.49
Quarterly distributions per unit	\$ 0.24583	\$ 0.24375	\$ 0.24375	\$ 0.24375	\$ -
Market price per unit	\$ 9.90	\$ 9.50	\$ 9.80	\$ 10.10	\$ 10.30
Total assets (millions)	\$ 119.0	\$ 116.1	\$ 118.6	\$ 118.7	\$ 103.8

### Statement of Net Assets (Unaudited)

	Mar 31, 2003	Dec 31, 2002
<b>Assets</b>		
Investments, at market value (cost 2003 - \$111,182,490; 2002 - \$112,808,436)	\$ 112,977,827	\$ 113,572,208
Cash and short-term investments	2,441,679	965,233
Distributions and interest receivable	1,590,167	1,384,458
Variation margin receivable on futures contracts	1,465,472	133,720
Amounts receivable from investments sold	495,030	-
Other receivables	-	58,229
Deferred financing costs (note 8)	22,796	16,613
<b>Total assets</b>	<b>118,992,971</b>	<b>116,130,461</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	288,004	284,160
Distributions payable to unitholders (note 4)	815,029	793,238
Amounts payable for investments purchased	1,874,357	-
Redemptions payable to unitholders	-	1,426,237
Loan payable (note 8)	22,856,995	22,936,762
<b>Total liabilities</b>	<b>25,834,385</b>	<b>25,440,397</b>
<b>Net assets representing unitholders' equity</b>	<b>\$ 93,158,586</b>	<b>\$ 90,690,064</b>
<b>Units outstanding (note 3)</b>	<b>9,780,741</b>	<b>9,762,925</b>
<b>Net asset value per unit</b>	<b>\$ 9.52</b>	<b>\$ 9.29</b>

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

## Statement of Operations (Unaudited)

	Three months ended Mar 31, 2003	Period from Feb 19, 2002* to Mar 31, 2002
<b>Income</b>		
Distributions from income funds	\$ 2,440,553	\$ 430,508
Interest income	582,134	271,237
	3,022,687	701,745
<b>Expenses</b>		
Management fee (note 5)	212,674	95,588
Service fee (note 5)	93,319	45,132
General and administrative	64,734	29,193
Interest and bank charges (note 8)	235,297	9,207
	606,024	179,120
<b>Net investment income</b>	<b>2,416,663</b>	<b>522,625</b>
<b>Net realized gain on sale of investments and futures contracts (notes 6 &amp; 7)</b>	<b>823,724</b>	<b>3,557</b>
<b>Net change in unrealized gain on investments and futures contracts (note 7)</b>	<b>1,461,427</b>	<b>577,660</b>
<b>Results of operations</b>	<b>\$ 4,701,814</b>	<b>\$ 1,103,842</b>
<b>Results of operations per unit <sup>(1)</sup></b>		
Net investment income	\$ 0.25	\$ 0.05
Net realized gain on sale of investments and futures contracts	0.08	-
Net change in unrealized gain on investments and futures contracts	0.15	0.06
	\$ 0.48	\$ 0.11

## Statement of Changes in Net Assets (Unaudited)

	Three months ended Mar 31, 2003	Period from Feb 19, 2002* to Mar 31, 2002
<b>Net assets – beginning of period</b>	<b>\$ 90,690,064</b>	<b>\$ -</b>
<b>Operations:</b>		
Net investment income	2,416,663	522,625
Net realized gain on sale of investments and futures contracts (notes 6 & 7)	823,724	3,557
Net change in unrealized gain on investments and futures contracts (note 7)	1,461,427	577,660
	4,701,814	1,103,842
<b>Unitholder Transactions:</b>		
Proceeds from issuance of units, net	-	92,568,750
Distributions to unitholders (note 4)	(2,402,954)	-
Proceeds from distribution reinvestment plan (note 4)	169,662	-
	(2,233,292)	92,568,750
Net increase in net assets	2,468,522	93,672,592
<b>Net assets – end of period</b>	<b>\$ 93,158,586</b>	<b>\$ 93,672,592</b>
<b>Distributions per unit</b>	<b>\$ 0.24583</b>	<b>\$ -</b>

<sup>(1)</sup> Based on the weighted average number of units outstanding for the period (note 3).

\* Date of commencement of operations.

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

## Statement of Investments

As at March 31, 2003 (Unaudited)

			Cost	Market Value	% of Portfolio
<b>Par Value (\$)</b> <b>Fixed Income Investments</b>					
US	650,000	Rogers Wireless Communications Inc. 9.625%, due May 1, 2011	\$ 1,058,930	\$ 1,013,489	
US	650,000	Allied Waste North America, Inc. 8.875%, due April 1, 2008	1,053,398	1,003,927	
US	600,000	Labranche & Co Inc. 12%, due March 2, 2007	1,111,590	988,482	
US	650,000	Compagnie Generale de Geophysique 10.625%, due November 15, 2007	1,085,585	893,973	
US	600,000	Western Financial Bank 9.625%, due May 15, 2012	937,937	880,367	
US	600,000	IPC Acquisition Corp. 11.5%, due December 15, 2009	956,111	838,445	
US	500,000	MGM Grand Inc. 9.75%, due June 1, 2007	860,922	808,106	
US	500,000	Cinemark USA Inc. 9.625%, due August 1, 2008	772,772	746,510	
US	480,000	United Rentals Inc. 10.75%, due April 15, 2008	744,806	730,771	
US	485,000	Insight Health Services Corp. 9.875%, due November 1, 2011	801,265	684,877	
US	500,000	Revlon Consumer Products Corporation 12%, due December 1, 2005	775,226	671,124	
US	435,000	L-3 Communications Corp. 8.5%, due May 15, 2008	722,995	668,660	
US	400,000	Flextronics International Ltd. 9.875%, due July 1, 2010	666,437	650,163	
US	400,000	Echostar Broadband Corporation 10.375%, due October 1, 2007	639,515	645,014	
US	410,000	Intrawest Corporation 10.5%, due February 2, 2010	663,995	643,801	
CDN	650,000	Rogers Communications Inc. 8.75%, due July 15, 2007	643,500	633,265	
US	400,000	United Surgical Partners Holdings, Inc. 10%, due December 15, 2011	640,464	617,802	
US	400,000	Biovail Corporation 7.875%, due April 1, 2010	626,442	616,331	
US	400,000	Lyondell Chemical Company 11.125%, due July 15, 2012	633,837	608,976	
US	400,000	Park Place Entertainment Corporation 8.125%, due May 15, 2011	644,097	607,505	
US	407,900	Alderwoods Group Inc. 11%, due January 2, 2007	640,223	603,003	
US	400,000	Century Aluminum Co. 11.75%, due April 15, 2008	670,176	588,382	
US	375,000	Tembec Industries Inc. 8.5%, due February 1, 2011	590,054	562,641	
US	335,000	Lear Corporation 8.11%, due May 15, 2009	552,783	534,656	
US	300,000	Station Casinos Inc. 8.875%, due December 1, 2008	490,090	462,248	
US	300,000	Pierce Leahy Command Company 8.125%, due May 15, 2008	464,830	456,732	
US	300,000	Western Oil Sands Inc. 8.375%, due May 1, 2012	470,102	456,732	
US	300,000	Amkor Technology Inc. 9.25%, due May 1, 2006	443,700	434,667	
CDN	800,000	Calpine Canada Energy Finance ULC 8.75%, due October 15, 2007	635,000	428,000	
US	250,000	D.R. Horton, Inc. 8.5%, due April 15, 2012	378,835	388,884	
CDN	355,000	BC Telecom Inc. 9.65%, due August 4, 2022	383,843	383,843	
US	250,000	Owens Brockway Glass Container Inc. 8.875%, due February 15, 2009	402,908	380,610	
US	250,000	Georgia Pacific Corp. 8.125%, due May 15, 2011	349,167	347,513	
US	475,000	Charter Communications Holdings, LLC 10.75%, due October 1, 2009	769,855	321,404	
US	200,000	Buckeye Cellulose Corp. 9.25%, due September 15, 2008	275,731	276,540	
CDN	275,000	Russel Metals Inc. 8%, due June 15, 2006	252,313	257,125	
US	150,000	Avis Group Holdings, Inc. 11%, due May 1, 2009	239,067	246,293	
US	150,000	Iron Mountain Inc. 8.625%, due April 1, 2013	244,910	237,192	
US	110,000	Armco Inc. 9%, due September 15, 2007	166,718	154,524	
US	125,000	Triton PCS Holdings Inc. 8.75%, due November 15, 2011	158,670	153,531	
US	100,000	Nextel Communications Inc. 9.95%, due February 15, 2008	149,643	152,979	
US	200,000	Healthsouth Corporation 7.375%, due October 1, 2006	277,860	142,683	
US	200,000	Finova Group Inc. 7.5%, due November 15, 2009	105,170	103,702	
US	20,000	Teekay Shipping Corporation 8.32%, due February 1, 2008	31,681	31,276	
			25,183,153	23,056,748	20.4%
<b>No. of Units Business Funds</b>					
	508,126	Davis + Henderson Income Fund	5,358,522	6,575,150	
	325,000	Connors Bros. Income Fund	3,850,500	4,524,000	
	304,455	Livingston International Income Fund	3,287,589	3,945,737	
	316,800	Atlas Cold Storage Income Trust	3,475,972	3,706,560	
	308,200	BFI Canada Income Fund	3,078,803	3,605,940	
	241,360	Chemtrade Logistics Income Fund	3,359,139	3,523,856	
	341,858	Sun Gro Horticulture Income Fund	3,442,915	3,179,280	
	163,000	Energy Savings Income Fund	2,010,875	2,656,900	
	211,300	TimberWest Forest Corp.	2,820,477	2,607,442	
	225,000	Specialty Foods Group Income Fund	2,261,600	2,270,250	
	205,000	Advanced Fiber Technologies (AFT) Income Fund	2,085,450	2,203,750	
	218,000	SFK Pulp Fund	2,298,132	2,158,200	
	90,500	North West Company Fund	1,715,445	1,972,900	
	196,000	The Keg Royalties Income Fund	1,955,700	1,852,200	
	110,200	Menu Foods Income Fund	1,153,588	1,614,430	
	150,000	Gateway Casinos Income Fund	1,512,000	1,575,000	
	80,000	Superior Plus Income Fund	1,515,200	1,565,600	
	140,000	Clearwater Seafoods Income Fund	1,402,028	1,561,000	
	276,887	Westshore Terminals Income Fund	1,722,935	1,545,029	
	130,000	Boston Pizza Royalties Income Fund	1,332,840	1,261,000	
	125,000	Versacold Income Fund	1,085,000	1,055,000	
			50,724,710	54,959,224	48.7%
<b>No. of Units Real Estate Investment Trusts</b>					
	313,400	RioCan REIT	3,887,260	4,130,612	
	207,225	H&R REIT	2,900,662	2,911,511	
	147,400	Summit REIT	2,232,334	2,231,636	
	157,500	Northern Property REIT	1,666,103	2,014,425	
	168,000	O&Y REIT	1,836,341	1,596,000	
	115,000	InnVest REIT	1,150,000	960,250	
	90,000	Canadian Hotel Income Properties REIT	831,691	765,000	
			14,504,391	14,609,434	12.9%
<b>No. of Units Oil &amp; Gas Funds</b>					
	180,400	Advantage Energy Income Fund	1,895,315	2,678,940	
	222,118	ARC Energy Trust	2,840,237	2,574,348	
	350,000	Viking Energy Royalty Trust	2,525,425	2,320,500	
	54,817	Canadian Oil Sands Trust	2,356,640	1,937,781	
	58,513	Enerplus Resources Fund	1,531,372	1,647,141	
	104,900	Shiningbank Energy Income Fund	1,591,870	1,640,636	
	50,000	Primewest Energy Trust	1,303,110	1,225,500	
	73,569	Provident Energy Trust	722,855	757,025	
			14,766,824	14,781,871	13.1%
<b>No. of Units Power and Pipeline Funds</b>					
	325,000	Pembina Pipeline Income Fund	3,722,532	3,493,750	
	236,000	Algonquin Power Income Fund	2,280,880	2,076,800	
			6,003,412	5,570,550	4.9%
		<b>Total</b>	<b>\$ 111,182,490</b>	<b>\$ 112,977,827</b>	<b>100.0%</b>

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

## Notes to Financial Statements March 31, 2003

**1. Operations**

Brompton VIP Income Trust (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 dated January 29, 2002. Computershare Trust Company of Canada is the Trustee and Brompton VIP Management Limited (the "Manager") is responsible for managing the affairs of the Fund. MFC Global Investment Management, a division of Elliott & Page Limited, provides the portfolio management for the Fund. The Fund was listed on the Toronto Stock Exchange and effectively commenced operations on February 19, 2002 when it issued 9,600,000 units at \$10.00 per unit through an initial public offering. An additional 275,000 units at \$10.00 per unit were issued on March 19, 2002 through the exercise of the over-allotment option.

**2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements at December 31, 2002. The significant accounting policies used for preparing these unaudited interim financial statements are consistent with those used in preparing the audited annual financial statements.

**3. 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. Units may be surrendered for redemption at any time during December of any year, but at least five business days prior to December 31. Redemption of surrendered units will be effected on December 31 of each year and will be settled on or before the twentieth business day following such effective date.

The Fund received approval from the Toronto Stock Exchange to undertake a normal course issuer bid program for the period from November 6, 2002 through to November 5, 2003. Pursuant to the issuer bid, the Fund may purchase up to 926,000 of its units for cancellation when the net asset value per unit exceeds its trading price. During the three months ended March 31, 2003, no such units were purchased.

The weighted average number of units outstanding for the three months ended March 31, 2003 was 9,772,170.

**4. Distributions 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 no later than the tenth business day of the following month. For the three months ended March 31, 2003, the Fund declared total distributions of \$0.24583 per unit. Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund. For the three months ended March 31, 2003, a total of 17,816 units were issued by the Fund pursuant to the reinvestment plan.

**5. 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 net asset value of the Fund plus applicable taxes. The Manager is responsible for paying fees to MFC Global Investment Management, the portfolio manager for 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 based on the proportionate number of units held by clients of such dealers at the end of each calendar quarter.

**6. Investment Transactions**

Investment transactions for the three months ended March 31, 2003 and the period from February 19, 2002 to March 31, 2002 were as follows:

	Mar 31, 2003	Mar 31, 2002
Proceeds from sale of investments and futures contracts	\$ 11,930,530	\$ 548,808
Less cost of investments sold:		
Investments at cost – beginning of period	112,808,436	-
Investments purchased during the period	9,480,860	78,799,912
Investments at cost – end of period	(111,182,490)	(78,254,661)
Cost of investments sold during the period	11,106,806	545,251
Net realized gain on sale of investments and futures contracts	\$ 823,724	\$ 3,557

**7. Futures Contracts**

The Fund uses currency futures contracts to hedge foreign exchange risks associated with its US dollar fixed income investments.

The following currency futures contracts were held by the Fund at March 31, 2003:

Contract Type	No. of Long Contracts	Amounts Purchased in Cdn \$	Expiry Date	Currency	Contract Price	Unrealized Gain
Canadian dollar	217	\$ 21.7 million	June, 2003	US	0.6737	\$ 117,970

Government of Canada Treasury Bills in the amount of \$220,000 have been deposited to meet initial margin requirements and are included in cash and short-term investments. During the three months ended March 31, 2003, the Fund realized gains in the amount of \$1,201,890 on futures contracts that were closed out.

**Notes to Financial Statements** March 31, 2003

**8. Loan Payable**

Pursuant to an agreement with a Canadian chartered bank (the "Bank"), the Fund maintains a 364-day revolving term credit facility for up to a maximum amount of \$25.0 million of which bankers' acceptances in the amount of \$23.0 million were outstanding as at March 31, 2003 (2002 - \$nil). The credit facility is secured by a first-ranking and exclusive charge on all of the Fund's assets and is renewable annually at the option of the Fund with the approval of the Bank. The Fund has the option of borrowing at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage.

Costs incurred to establish the credit facility and renewal fees are deferred and amortized over the 364-day revolving term of the facility. For the three months ended March 31, 2003, the Fund has recorded amortization of these costs in the amount of \$18,817 (2002 - \$5,323).

The credit facility is used by the Fund for the purchase of additional investments and for general Fund purposes.

BROMPTON  INCOME FUND

We are pleased to provide the unaudited financial results of Brompton MVP Income Fund (“MVP” or the “Fund”) for the quarter ended March 31, 2003. MVP commenced operations on July 17, 2002 and accordingly there are no comparative figures.

The significant highlight of the first quarter was the Fund’s announcement that it was increasing its rate of distribution per unit from \$0.90 to \$0.925 per annum as a result of it achieving higher than targeted yields on its investment portfolio. The Fund has also recorded strong growth in net asset value since the start of the year, increasing 2% over the first quarter and 5.8% to May 13, 2003. MVP’s focus on business funds and opportunistic hedging of its US dollar exposure were the main contributors to this positive performance.

The income funds market, and in particular the business funds sector, have grown substantially over the past year. During this period, 32 initial public offerings of income funds were completed raising approximately \$4.7 billion. The market value of income funds now exceeds \$48 billion. This growth in the number of new participants has given MVP a much wider universe of attractive issuers, industries and yields from which to select.

### Financial

The Fund’s active asset and sector allocation strategy has a current focus on business funds. As at March 31, 2003, business funds represented 63.4% of the market value of the investment portfolio. Fixed income investments represented the second largest weighting at 19.5%, a substantial portion of which was in US dollar denominated securities. MVP had \$21.9 million outstanding under its credit facility at the end of the quarter.

Income from investments for the quarter totalled \$2.4 million which, after expenses of \$0.6 million, resulted in net investment income of \$1.8 million. In October, 2002, the Fund hedged its US dollar exposure associated with the market value of its fixed income holdings. As a result, the Fund has been insulated from the 8.9% depreciation in the US dollar through substantial realized and unrealized gains on its foreign exchange position, offsetting the unrealized loss on its US securities. Over the quarter, the Fund also had a \$1.4 million unrealized gain on its business fund investments. These factors were the main contributors to the \$1.6 million in realized and unrealized gains on investments which, combined with net investment income, provided overall results from operations of \$3.4 million or \$0.42 per unit in the quarter.

Management fees, service fees paid to investment dealers and general and administrative costs totalled \$0.32 million, which when annualized represents a management expense ratio of 1.66% based on net asset value and 1.30% based on total assets.

### Monthly Distributions

The Fund has met all of its monthly distributions at the targeted rates. During the first quarter, total monthly distributions of \$0.22708 per unit were declared. Commencing with the distribution paid on April 14, 2003 to unitholders of record on March 31, 2003, the Fund increased the monthly cash distribution to \$0.07708 or \$0.925 per annum.

The breakdown of the annual distributions for tax purposes was made available to unitholders in early March, 2003 and was also posted on the MVP website at [www.bromptongroup.com](http://www.bromptongroup.com). For the year ended December 31, 2002, approximately 44% of the distributions represented return of capital which reduces the adjusted cost base of the units. Income tax on this portion of the distributions is deferred until the unit is sold at which time it is taxed at the capital gains rate. Realized gains through MVP’s successful hedging strategy will reduce the return of capital portion of the distributions in 2003 by approximately 25%, but such gains will be taxable at favourable capital gains rates.

### Reinvestment Plan

MVP’s Reinvestment Plan allows unitholders who elect to do so to automatically reinvest monthly distributions in additional units of the Fund. This provides unitholders with an excellent opportunity to benefit from compounding by investing distributions at the high reinvestment rate offered by the Fund. Please contact your investment advisor to enrol in the plan.

The Reinvestment Plan also allows plan participants to purchase additional units for cash, to a maximum investment of \$20,000 per calendar year per plan participant. In certain circumstances, units acquired pursuant to the Reinvestment Plan may be at a price below the then prevailing market price for the units. Additional information is available on the MVP website at [www.bromptongroup.com](http://www.bromptongroup.com).

Respectfully Submitted on Behalf of the Board,

signed

**Raymond R. Pether**  
Chief Executive Officer  
Brompton MVP Management Limited  
May 15, 2003

signed

**Donald W.C. Lillie**  
President  
Brompton MVP Management Limited

This quarterly report contains forward-looking information. The Fund is not obligated to update or revise forward-looking information. Actual results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the Fund’s prospectus and other documents filed with regulatory authorities.

### Investment Profile

Brompton MVP Income Fund is an investment income fund that utilizes an active asset and sector allocation process to invest in a diversified portfolio of income funds and high-yield debt across a broad range of industries and geographic areas. Its current focus is on business funds with smaller weightings in high-yield debt and real estate investment trusts. MVP may also invest in oil and gas funds, power and pipeline funds and special situations. The objectives of the Fund are:

- to provide unitholders with high monthly distributions which are currently \$0.925 per unit per annum; and
- to preserve the net asset value of the Fund.

### Fund Manager

Brompton MVP Management Limited, a member of the Brompton Group of Companies, is the Manager of the Fund. The Brompton Group is a financial services organization that specializes in asset management, merchant banking and securities and advisory services. For more information, please visit the website at [www.bromptongroup.com](http://www.bromptongroup.com).

### Portfolio Manager

MFC Global Investment Management (“MFC”), a division of Elliott & Page Limited, is the portfolio manager of the Fund and is responsible for the investment of the Fund’s assets. MFC is a member of the Manulife Financial group of companies.

### Investment Highlights

	Mar 31, 2003	Dec 31, 2002	Sept 30, 2002
Net asset value per unit	\$ 9.69	\$ 9.50	\$ 9.66
Quarterly distributions per unit	\$ 0.22708	\$ 0.225	\$ 0.075
Market price per unit	\$ 9.70	\$ 9.20	\$ 9.95
Total assets (millions)	\$ 105.2	\$ 98.8	\$ 84.2

### Statement of Net Assets (Unaudited)

	Mar 31, 2003	Dec 31, 2002
<b>Assets</b>		
Investments, at market value (cost 2003 - \$97,545,317; 2002 - \$95,265,939)	\$ 98,641,976	\$ 96,154,343
Cash and short-term investments	2,590,234	1,204,289
Distributions and interest receivable	1,252,529	1,208,498
Variation margin receivable on futures contracts	663,530	182,562
Amounts receivable from investments sold	1,981,165	–
Deferred financing costs (note 8)	24,609	30,159
<b>Total assets</b>	<b>105,154,043</b>	<b>98,779,851</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	290,958	463,559
Distributions payable to unitholders (note 4)	627,284	614,278
Amounts payable for investments purchased	3,457,582	–
Loan payable (note 8)	21,916,543	19,928,557
<b>Total liabilities</b>	<b>26,292,367</b>	<b>21,006,394</b>
<b>Net assets representing unitholders’ equity</b>	<b>\$ 78,861,676</b>	<b>\$ 77,773,457</b>
<b>Units outstanding (note 3)</b>	<b>8,138,089</b>	<b>8,190,379</b>
<b>Net asset value per unit</b>	<b>\$ 9.69</b>	<b>\$ 9.50</b>

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

**Statement of Operations**

For the three months ended March 31, 2003 (Unaudited)

<b>Income</b>	
Distributions from income funds	\$ 1,905,873
Interest income	457,449
	2,363,322
<b>Expenses</b>	
Management fee <i>(note 5)</i>	180,882
Service fee <i>(note 5)</i>	79,004
General and administrative	60,752
Interest and bank charges <i>(note 8)</i>	227,727
	548,365
<b>Net investment income</b>	<b>1,814,957</b>
<b>Net realized gain on sale of investments and futures contracts</b> <i>(notes 6 &amp; 7)</i>	<b>1,049,726</b>
<b>Net change in unrealized gain on investments and futures contracts</b> <i>(note 7)</i>	<b>568,768</b>
<b>Results of operations</b>	<b>\$ 3,433,451</b>
<b>Results of operations per unit</b> <sup>(1)</sup>	
Net investment income	\$ 0.22
Net realized gain on sale of investments and futures contracts	0.13
Net change in unrealized gain on investments and futures contracts	0.07
	\$ 0.42

(1) Based on the weighted average number of units outstanding for the period *(note 3)*.**Statement of Changes in Net Assets**

For the three months ended March 31, 2003 (Unaudited)

<b>Net assets – beginning of period</b>	<b>\$ 77,773,457</b>
<b>Operations:</b>	
Net investment income	1,814,957
Net realized gain on sale of investments and futures contracts <i>(notes 6 &amp; 7)</i>	1,049,726
Net change in unrealized gain on investments and futures contracts <i>(note 7)</i>	568,768
	3,433,451
<b>Unitholder Transactions:</b>	
Distributions to unitholders <i>(note 4)</i>	(1,850,878)
Proceeds from distribution reinvestment plan <i>(note 4)</i>	53,501
Repurchase of units	(547,855)
	(2,345,232)
Net increase in net assets	1,088,219
<b>Net assets – end of period</b>	<b>\$ 78,861,676</b>
<b>Distributions per unit</b>	<b>\$ 0.22708</b>

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

## Statement of Investments

As at March 31, 2003 (Unaudited)

		Cost	Market Value	% of Portfolio
<b>Par Value (\$)</b>	<b>Fixed Income Investments</b>			
US 500,000	Park Place Entertainment Corporation 9.375%, due February 15, 2007	\$ 817,340	\$ 785,123	
US 475,000	Labranche & Co Inc. 12%, due March 2, 2007	816,715	782,549	
US 500,000	D.R. Horton, Inc. 8.5%, due April 15, 2012	771,113	777,768	
US 500,000	Allied Waste North America, Inc. 8.875%, due April 1, 2008	757,553	772,252	
US 445,000	Western Financial Bank 9.625%, due May 15, 2012	676,011	652,939	
US 400,000	Flextronics International Ltd. 9.875%, due July 1, 2010	652,874	650,163	
US 400,000	Echostar Broadband Corporation 10.375%, due October 1, 2007	651,359	645,014	
US 400,000	CP Ships Limited 10.375%, due July 15, 2012	668,556	629,569	
US 400,000	United Surgical Partners Holdings, Inc. 10%, due December 15, 2011	656,107	617,802	
US 400,000	United Rentals Inc. 10.75%, due April 15, 2008	620,672	608,976	
US 400,000	Intrawest Corporation 9.75%, due August 15, 2008	636,279	606,034	
US 407,900	Alderwoods Group Inc. 11%, due January 2, 2007	647,272	603,003	
US 400,000	Century Aluminum Co. 11.75%, due April 15, 2008	612,539	588,382	
US 375,000	Tembec Industries Inc. 8.5%, due February 1, 2011	596,039	562,641	
US 400,000	Revlon Consumer Products Corporation 12%, due December 1, 2005	623,268	536,899	
CDN 470,000	BC Telecom Inc. 9.65%, due August 4, 2022	508,188	508,188	
CDN 500,000	Rogers Communications Inc. 9.65%, due January 15, 2014	460,681	494,212	
US 300,000	Avis Group Holdings, Inc. 11%, due May 1, 2009	474,347	492,586	
US 300,000	Biovail Corporation 7.875%, due April 1, 2010	452,269	462,248	
US 300,000	Nextel Communications Inc. 9.95%, due February 15, 2008	448,929	458,938	
US 300,000	Lyondell Chemical Company 11.125%, due July 15, 2012	453,006	456,732	
US 300,000	Rogers Cantel Inc 8.3%, due October 1, 2007	318,566	445,700	
US 300,000	Georgia Pacific Corp. 8.125%, due May 15, 2011	447,583	417,016	
US 240,000	HCA Inc. 7.875%, due February 1, 2011	396,860	391,365	
US 250,000	Owens Brockway Glass Container Inc. 8.875%, due February 15, 2009	402,908	380,610	
US 250,000	Pierce Leahy Command Company 8.125%, due May 15, 2008	397,171	380,610	
US 250,000	Western Oil Sands Inc. 8.375%, due May 1, 2012	390,593	380,610	
US 250,000	Amkor Technology Inc. 9.25%, due May 1, 2006	369,750	362,223	
US 245,000	Armco Inc. 9%, due September 15, 2007	371,326	344,167	
US 250,000	Bally Total Fitness Holding Corp 9.875%, due October 15, 2007	364,956	316,256	
CDN 325,000	Russel Metals Inc. 8%, due June 15, 2006	298,188	303,875	
US 200,000	Foot Locker Inc. 8.5%, due January 15, 2022	291,582	291,155	
US 400,000	Healthsouth Corporation 7.375%, due October 1, 2006	556,302	285,365	
US 200,000	Insight Health Services Corp. 9.875%, due November 1, 2011	304,044	282,424	
US 175,000	Regal Cinemas Corporation 9.375%, due February 1, 2012	290,920	279,941	
US 200,000	IPC Acquisition Corp. 11.5%, due December 15, 2009	275,918	279,482	
US 175,000	World Color Press Inc 8.375%, due November 15, 2008	274,822	268,679	
US 175,000	Carmike Cinemas, Inc. 10.375%, due February 1, 2009	252,496	247,442	
US 150,000	The Hockey Company 11.25%, due April 15, 2009	229,038	233,330	
US 150,000	Town Sports International Inc. 9.75%, due October 15, 2004	231,096	225,056	
US 100,000	Iron Mountain Inc. 8.625%, due April 1, 2013	163,273	158,128	
US 125,000	Triton PCS Holdings Inc 8.75%, due November 15, 2011	158,868	153,531	
US 100,000	Guitar Center Management Co Inc 11%, due July 1, 2006	156,807	150,589	
		19,944,184	19,269,572	19.5%
<b>No. of Units</b>	<b>Business Funds</b>			
433,140	Davis + Henderson Income Fund	4,954,984	5,604,832	
455,000	Atlas Cold Storage Income Trust	5,212,078	5,323,500	
236,000	Energy Savings Income Fund	3,215,597	3,846,800	
364,388	SFK Pulp Fund	3,819,737	3,607,441	
238,000	Chemtrade Logistics Income Fund	3,374,620	3,474,800	
298,200	Clearwater Seafoods Income Fund	2,990,478	3,324,930	
265,000	TimberWest Forest Corp.	3,412,100	3,270,100	
274,900	BFI Canada Income Fund	3,045,395	3,216,330	
145,000	North West Company Fund	2,806,411	3,161,000	
324,322	Sun Gro Horticulture Income Fund	3,440,004	3,016,195	
235,000	Heating Oil Partners Income Fund	2,900,373	2,721,300	
180,000	Connors Bros. Income Fund	2,343,825	2,505,600	
127,500	Superior Plus Income Fund	2,444,272	2,495,175	
170,000	Menu Foods Income Fund	2,306,700	2,490,500	
255,400	Boston Pizza Royalties Income Fund	2,613,962	2,477,380	
225,000	Gateway Casinos Income Fund	2,239,010	2,362,500	
200,000	Consumers' Waterheater Income Fund	2,180,000	2,180,000	
200,000	Specialty Foods Group Income Fund	2,004,000	2,018,000	
165,000	KCP Income Fund	1,672,751	1,996,500	
210,100	The Keg Royalties Income Fund	2,051,060	1,985,445	
115,000	Livingston International Income Fund	1,367,301	1,490,400	
		60,394,658	62,568,728	63.4%
<b>No. of Units</b>	<b>Real Estate Investment Trusts</b>			
260,000	RioCan REIT	3,200,121	3,426,800	
225,000	InnVest REIT	2,216,561	1,878,750	
111,900	Summit REIT	1,746,886	1,694,166	
106,500	Northern Property REIT	1,283,080	1,362,135	
		8,446,648	8,361,851	8.5%
<b>No. of Units</b>	<b>Oil &amp; Gas Funds</b>			
125,000	Shiningbank Energy Income Fund	1,988,750	1,955,000	
50,000	Canadian Oil Sands Trust	1,916,220	1,767,500	
10,000	Enerplus Resources Income Fund	281,200	281,500	
		4,186,170	4,004,000	4.1%
<b>No. of Units</b>	<b>Power and Pipeline Funds</b>			
163,000	Pembina Pipeline Income Fund	1,850,839	1,752,250	
155,000	Algonquin Power Income Fund	1,513,527	1,364,000	
		3,364,366	3,116,250	3.2%
<b>No. of Shares</b>	<b>Equity Investments</b>			
20,000	Power Financial Corporation	715,950	774,000	
104,300	Russel Metals Inc.	493,341	547,575	
		1,209,291	1,321,575	1.3%
<b>Total</b>		<b>\$ 97,545,317</b>	<b>\$ 98,641,976</b>	<b>100.0%</b>

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

## Notes to Financial Statements March 31, 2003

**1. Operations**

Brompton MVP Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on May 22, 2002 pursuant to an amended and restated declaration of trust dated June 25, 2002. Computershare Trust Company of Canada is the Trustee and Brompton MVP Management Limited (the "Manager") is responsible for managing the affairs of the Fund. MFC Global Investment Management, a division of Elliott & Page Limited, provides the portfolio management for the Fund. The Fund was listed on the Toronto Stock Exchange and effectively commenced operations on July 17, 2002 when it issued 7,500,000 units at \$10.00 per unit through an initial public offering. An additional 500,000 and 200,000 units at \$10.00 per unit were issued on July 29, 2002 and August 12, 2002, respectively, through the exercise of the over-allotment option.

**2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements at December 31, 2002. The significant accounting policies used for preparing these unaudited interim financial statements are consistent with those used in preparing the audited annual financial statements.

**3. 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. Units may be surrendered for redemption at any time during June of any year, but at least five business days prior to June 30. Redemption of surrendered units will be effected on June 30 of each year and will be settled on or before the tenth business day following such effective date.

The Fund received approval from The Toronto Stock Exchange to undertake a normal course issuer bid program for the period from November 5, 2002 to November 4, 2003. Pursuant to the issuer bid, the Fund may purchase up to 781,000 of its units for cancellation when the net asset value per unit exceeds its trading price. During the three months ended March 31, 2003, 57,800 units were purchased for cancellation.

The weighted average number of units outstanding for the three months ended March 31, 2003 was 8,161,444.

**4. Distributions 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 no later than the tenth business day of the following month. For the three months ended March 31, 2003, the Fund declared total distributions of \$0.22708 per unit. Pursuant to the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund. For the three months ended March 31, 2003, a total of 5,510 units were issued by the Fund pursuant to the reinvestment plan.

**5. 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 net asset value of the Fund plus applicable taxes. The Manager is responsible for paying fees to MFC Global Investment Management, the portfolio manager for 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 based on the proportionate number of units held by clients of such dealers at the end of each calendar quarter.

**6. Investment Transactions**

Investment transactions for the three months ended March 31, 2003 were as follows:

Proceeds from sale of investments and futures contracts	\$	10,665,581
Less cost of investments sold:		
Investments at cost – beginning of period		95,265,939
Investments purchased during the period		11,895,233
Investments at cost – end of period		(97,545,317)
Cost of investments sold during the period		9,615,855
Net realized gain on sale of investments and futures contracts	\$	1,049,726

**7. Futures Contracts**

The Fund uses currency futures contracts to hedge foreign exchange risks associated with its US dollar fixed income investments.

The following currency futures contracts were held by the Fund at March 31, 2003:

Contract Type	No. of Long Contracts	Amounts Purchased in Cdn \$	Expiry Date	Currency	Contract Price	Unrealized Gain
Canadian dollar	185	\$18.5 million	June, 2003	US	0.6737	\$100,574

Government of Canada Treasury Bills in the amount of \$200,000 have been deposited to meet initial margin requirements and are included in cash and short-term investments. During the three months ended March 31, 2003, the Fund realized gains in the amount of \$970,455 on futures contracts that were closed out.

**8. Loan Payable**

Pursuant to an agreement with a Canadian chartered bank (the "Bank"), the Fund maintains a 364-day revolving term credit facility for up to a maximum amount of \$25.0 million of which bankers' acceptances in the amount of \$22.0 million were outstanding as at March 31, 2003. The credit facility is secured by a first-ranking and exclusive charge on all of the Fund's assets and is renewable annually at the option of the Fund with the approval of the Bank. The Fund has the option of borrowing at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage.

Costs incurred to establish the credit facility are deferred and amortized over the 364-day revolving term of the facility. For the three months ended March 31, 2003, the Fund has recorded amortization of these costs in the amount of \$19,527.

The credit facility is used by the Fund for the purchase of additional investments and for general Fund purposes.

We are pleased to announce the unaudited financial results of Brompton Stable Income Fund (“Stable” or the “Fund”) for the quarter ended March 31, 2003. Stable commenced operations on December 9, 2002 when it completed its initial public offering and accordingly, no comparative figures are presented.

The significant highlight of the first quarter was the Fund’s announcement that it was increasing its rate of distribution per unit from \$0.75 to \$0.775 per annum as a result of it achieving higher than targeted yields on its investment portfolio. The Fund has also recorded strong growth in net asset value since its inception, increasing 3.7% to May 13, 2003.

#### Financial

As at March 31, 2003, Stable’s portfolio of high-income securities had a market value of \$59.2 million. The Fund is designed to invest in a diversified portfolio of investment grade securities, power and pipeline funds and other income funds. As at March 31, 2003, power and pipeline funds represented 31.8% of the market value of the investment portfolio, business funds represented 24.8% and fixed income investments represented 19.4%. Stable had \$8 million outstanding under its credit facility at the end of the quarter.

Income from investments for the quarter totalled \$1.36 million which after expenses of \$0.34 million resulted in net investment income of \$1.02 million. The net reduction in unrealized and realized gains on investments of \$0.01 million, brought results of operations for the quarter to \$1.0 million or \$0.19 per unit.

Management fees, service fees paid to investment dealers and general and administrative costs totalled \$0.26 million, which when annualized represents a management expense ratio (“MER”) of 2.04% based on net asset value or 1.74% based on total assets. Upon completion of the treasury offering described below, the future MER is expected to fall to 1.54% of total assets on an annualized basis.

#### Treasury Issuance of Units

On April 30, 2003, the Fund successfully issued an additional 3.4 million units at \$10.30 per unit pursuant to a secondary offering. This offering resulted in gross proceeds of \$35 million and net proceeds to the Fund of \$32.9 million. The offering is beneficial to all unitholders by adding to the market liquidity of the units of the Fund and by spreading fixed general and administrative expenses over a greater number of units. The offering price was set so that the issuance of new units did not dilute the net asset value per unit which protected the original unitholders of the Fund.

#### Monthly Distributions

The Fund commenced paying its monthly distributions on February 14, 2003 to unitholders of record on January 31, 2003. During the first quarter, total monthly distributions of \$0.1875 per unit were declared. Commencing with the distribution to be paid on May 14, 2003 to unitholders of record on April 30, 2003, the Fund increased the monthly cash distribution to \$0.06458 per unit or \$0.775 per annum.

#### Reinvestment Plan

Stable’s Reinvestment Plan allows unitholders who elect to do so to automatically reinvest monthly distributions in additional units of the Fund. This provides unitholders with an excellent opportunity to benefit from compounding by investing distributions at the high reinvestment rate offered by the Fund. Please contact your investment advisor to enrol in the plan.

The Reinvestment Plan also allows plan participants to purchase additional units for cash, to a maximum investment of \$20,000 per calendar year per plan participant. In certain circumstances, units acquired pursuant to the Reinvestment Plan may be at a price below the then prevailing market price for the units. Additional information is available on the Stable website at [www.bromptongroup.com](http://www.bromptongroup.com).

Respectfully Submitted on Behalf of the Board,

signed

**Raymond R. Pether**

Chief Executive Officer

Brompton SI Fund Management Limited

May 15, 2003

signed

**Donald W.C. Lillie**

President

Brompton SI Fund Management Limited

This quarterly report contains forward-looking information. The Fund is not obligated to update or revise forward-looking information. Actual results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the Fund’s prospectus and other documents filed with regulatory authorities.

**Investment Profile**

Brompton Stable Income Fund is an investment income fund, which invests in a diversified portfolio of investment grade securities and units of income funds, including power and pipeline funds, business funds, REITs, and oil and gas funds. The Fund has been assigned Standard & Poor's highest stability rating of SR-1. The objectives of the Fund are:

- to provide unitholders with stable monthly distributions which are currently \$0.775 per unit per annum;
- to maintain a Standard & Poor's SR-1 stability rating; and
- to preserve the net asset value of the Fund.

**Fund Manager**

Brompton SI Fund Management Limited, a member of the Brompton Group of Companies, is the Manager of the Fund. The Brompton Group is a financial services organization that specializes in asset management, merchant banking and securities and advisory services. For more information, please visit the website at [www.bromptongroup.com](http://www.bromptongroup.com).

**Portfolio Manager**

MFC Global Investment Management ("MFC"), a division of Elliott & Page Limited, is the portfolio manager of the Fund and is responsible for the investment of the Fund's assets. MFC is a member of the Manulife Financial group of companies.

**Investment Highlights**

	Mar 31, 2003	Dec 31, 2002
Net asset value per unit	\$ 9.50	\$ 9.50
Quarterly distributions per unit	\$ 0.1875	\$ -
Market price per unit	\$ 10.50	\$ 10.19
Total assets (millions)	\$ 60.4	\$ 60.1

**Statement of Net Assets (Unaudited)**

	Mar 31, 2003	Dec 31, 2002
<b>Assets</b>		
Investments, at market value (cost 2003 - \$58,638,779; 2002 - \$34,902,553)	\$ 59,240,150	\$ 35,514,561
Cash and short-term investments	264,831	24,198,808
Distributions and interest receivable	750,672	423,352
Amounts receivable from investments sold	71,220	-
Deferred financing costs (note 7)	27,956	-
<b>Total assets</b>	<b>60,354,829</b>	<b>60,136,721</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	510,274	655,577
Distributions payable to unitholders (note 4)	338,762	-
Amounts payable for investments purchased	57,200	-
Loan payable (note 7)	7,976,710	8,000,000
<b>Total liabilities</b>	<b>8,882,946</b>	<b>8,655,577</b>
<b>Net assets representing unitholders' equity</b>	<b>\$ 51,471,883</b>	<b>\$ 51,481,144</b>
<b>Units outstanding (note 3)</b>	<b>5,420,193</b>	<b>5,420,000</b>
<b>Net asset value per unit</b>	<b>\$ 9.50</b>	<b>\$ 9.50</b>

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

**Statement of Operations**

For the three months ended March 31, 2003 (Unaudited)

<b>Income</b>	
Distributions from income funds	\$ 1,108,393
Interest income	247,849
	<u>1,356,242</u>
<b>Expenses</b>	
Management fee <i>(note 5)</i>	131,600
Service fee <i>(note 5)</i>	51,566
General and administrative	76,930
Interest and bank charges <i>(note 7)</i>	82,160
	<u>342,256</u>
<b>Net investment income</b>	<b>1,013,986</b>
<b>Net realized gain on sale of investments</b> <i>(note 6)</i>	<b>1,775</b>
<b>Net change in unrealized gain on investments</b>	<b>(10,637)</b>
<b>Results of operations</b>	<b>\$ 1,005,124</b>
<b>Results of operations per unit</b> <sup>(1)</sup>	
Net investment income	\$ 0.19
Net realized gain on sale of investments	-
Net change in unrealized gain on investments	-
	<u>\$ 0.19</u>

<sup>(1)</sup> Based on the weighted average number of units outstanding for the period *(note 3)*.**Statement of Changes in Net Assets**

For the three months ended March 31, 2003 (Unaudited)

<b>Net assets – beginning of period</b>	<b>\$ 51,481,144</b>
<b>Operations:</b>	
Net investment income	1,013,986
Net realized gain on sale of investments <i>(note 6)</i>	1,775
Net change in unrealized gain on investments	(10,637)
	<u>1,005,124</u>
<b>Unitholder Transactions:</b>	
Distributions to unitholders <i>(note 4)</i>	(1,016,267)
Proceeds from distribution reinvestment plan <i>(note 4)</i>	1,882
	<u>(1,014,385)</u>
Net decrease in net assets	(9,261)
<b>Net assets – end of period</b>	<b>\$ 51,471,883</b>
<b>Distributions per unit</b>	<b>\$ 0.1875</b>

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

## Statement of Investments

As at March 31, 2003 (Unaudited)

		Cost	Market Value	% of Portfolio
<b>Par Value (\$)</b>	<b>Investment Grade Securities</b>			
632,000	Falconbridge Limited 8.5%, due December 8, 2008	\$ 667,608	\$ 653,134	
500,000	Bell Canada 10%, due June 15, 2014	651,500	646,241	
550,000	BC Gas, Inc. 8%, due April 19, 2040	577,905	573,518	
575,000	Investors Group Inc. 7%, due December 31, 2032	572,873	557,454	
450,000	BC Telecom Inc. 10.65%, due June 19, 2021	490,440	523,682	
425,000	Renaissance Energy Ltd. 6.95%, due July 14, 2009	438,983	441,411	
429,000	Greater Toronto Airports Authority 6.98%, due October 15, 2032	427,541	413,819	
325,000	Nova Scotia Power Inc. 9.75%, due August 2, 2019	414,570	406,740	
275,000	Newfoundland Light & Power Inc. 10.125%, due June 15, 2022	357,885	355,710	
300,000	Maritime Telegraph and Telephone Limited 8.3%, due January 15, 2019	344,190	342,533	
275,000	BC Telecom Inc. 11.9%, due November 22, 2015	308,082	340,540	
300,000	Westcoast Energy Inc. 8.85%, due July 21, 2025	350,948	337,154	
300,000	Precision Drilling Corporation 7.65%, due October 27, 2010	321,480	319,348	
330,000	Cara Operations Limited 5.95%, due June 12, 2008	316,140	315,455	
300,000	AGT Limited 8.8%, due September 22, 2025	279,300	299,228	
225,000	Newfoundland Telephone Company Limited 10.75%, due June 12, 2014	298,013	296,755	
300,000	Sears Canada Inc. 7.05%, due September 20, 2010	295,500	295,722	
310,000	Westcoast Energy Inc. 7.15%, due March 20, 2031	300,040	291,253	
200,000	TransCanada Pipelines Limited 11.9%, due August 20, 2015	289,960	285,116	
265,000	Alberta Energy Company Ltd 7.3%, due September 2, 2014	284,318	284,986	
240,000	Molson Canada 8.4%, due December 7, 2018	289,032	284,691	
250,000	Union Gas Limited 7.9%, due February 24, 2014	280,200	276,125	
257,000	Finning Ltd. 7.4%, due June 19, 2008	277,329	274,670	
275,000	EPCOR Utilities Inc. 6.6%, due November 2, 2011	274,725	274,505	
200,000	Canadian Tire Corporation, Limited 12.1%, due May 10, 2010	270,540	270,862	
300,000	TransCanada Pipelines Limited 6.28%, due May 26, 2028	263,190	255,070	
235,000	Scotiabank Capital Trust 6.626%, due June 30, 2049	244,894	243,038	
200,000	Molson Canada 9.1%, due March 11, 2013	244,060	242,327	
195,000	Centra Gas Ontario Inc. 8.65%, due October 19, 2018	234,643	227,879	
160,000	Nova Gas Transmission Ltd 12.2%, due February 28, 2016	238,096	227,022	
195,000	Interprovincial Pipe Line Inc. 8.2%, due February 15, 2024	228,950	219,419	
250,000	Canadian Tire Corporation, Limited 6.25%, due April 13, 2028	213,575	216,765	
200,000	Enbridge Gas Distribution Inc. 6.9%, due November 15, 2032	203,340	196,752	
188,950	Alliance Pipeline Limited Partnership 7.181%, due June 30, 2023	198,643	194,840	
73,000	Gaz Metropolitan and Company L.P. 9%, due May 16, 2025	93,279	91,406	
		11,541,772	11,475,170	19.4%
<b>No. of Units</b>	<b>Power and Pipeline Funds</b>			
76,500	TransCanada Power, L.P.	2,400,085	2,444,175	
225,000	Pembina Pipeline Income Fund	2,445,750	2,418,750	
235,800	Algonquin Power Income Fund	2,162,296	2,075,040	
125,000	Great Lakes Hydro Income Fund	1,875,000	1,868,750	
215,000	Fort Chicago Energy Partners, L.P.	1,774,900	1,868,350	
190,600	Boralex Power Income Fund	1,942,685	1,858,350	
190,000	TransAlta Power, L.P.	1,774,140	1,734,700	
122,700	Northland Power Income Fund	1,315,883	1,320,252	
73,000	Gaz Metropolitan and Company L.P.	1,383,901	1,316,920	
200,000	Inter Pipeline Fund	1,240,000	1,240,000	
77,000	Calpine Power Income Fund	697,500	696,080	
10,000	Calpine Power Income Fund - warrants	-	2,600	
		19,012,140	18,843,967	31.8%
<b>No. of Units</b>	<b>Business Funds</b>			
175,500	Davis + Henderson Income Fund	2,202,698	2,270,970	
134,700	Energy Savings Income Fund	1,845,623	2,195,610	
170,000	Atlas Cold Storage Income Trust	1,901,542	1,989,000	
128,600	Bell Nordiq Income Fund	1,440,752	1,455,752	
107,000	BFI Canada Income Fund	1,264,213	1,251,900	
80,000	Menu Foods Income Fund	1,060,745	1,172,000	
80,000	Chemtrade Logistics Income Fund	1,099,600	1,168,000	
105,500	Consumers' Waterheater Income Fund	1,143,591	1,149,950	
100,000	SFK Pulp Fund	1,011,000	990,000	
93,142	Sun Gro Horticulture Income Fund	975,895	866,221	
9,300	North West Company Fund	206,093	202,740	
		14,151,752	14,712,143	24.8%
<b>No. of Units</b>	<b>Real Estate Investment Trusts</b>			
175,000	RioCan REIT	2,222,545	2,306,500	
121,000	Summit REIT	1,768,470	1,831,940	
125,000	H&R REIT	1,671,400	1,756,250	
99,000	Northern Property REIT	1,191,345	1,266,210	
90,000	Canadian REIT	1,186,923	1,105,200	
130,000	InnVest REIT	1,173,050	1,085,500	
		9,213,733	9,351,600	15.8%
<b>No. of Units</b>	<b>Oil &amp; Gas Funds</b>			
110,000	ARC Energy Trust	1,305,060	1,274,900	
45,100	Enerplus Resources Fund	1,230,922	1,269,565	
88,000	Pengrowth Energy Trust	1,257,770	1,254,000	
71,300	Advantage Energy Income Fund	925,630	1,058,805	
		4,719,382	4,857,270	8.2%
<b>Total</b>		<b>\$ 58,638,779</b>	<b>\$ 59,240,150</b>	<b>100.0%</b>

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

**Notes to Financial Statements March 31, 2003****1. Operations**

Brompton Stable Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on October 1, 2002 pursuant to an amended and restated declaration of trust dated November 21, 2002. Computershare Trust Company of Canada is the Trustee and Brompton SI Fund Management Limited (the "Manager") is responsible for managing the affairs of the Fund. MFC Global Investment Management, a division of Elliott & Page Limited, provides the portfolio management for the Fund. The Fund was listed on the Toronto Stock Exchange and effectively commenced operations on December 9, 2002 when it issued 5,000,000 units at \$10.00 per unit through an initial public offering. An additional 420,000 units at \$10.00 per unit were issued on December 31, 2002 through the exercise of the over-allotment option.

**2. Significant Accounting Policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and should be read in conjunction with the most recent audited financial statements at December 31, 2002. The significant accounting policies used for preparing these unaudited interim financial statements are consistent with those used in preparing the audited annual financial statements.

**3. 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. Units may be surrendered for redemption at any time during March of any year commencing in 2004, but at least five business days prior to March 31. Redemption of surrendered units will be effected at net asset value on March 31 of each year and will be settled on or before the tenth business day following such effective date.

The Fund received approval from The Toronto Stock Exchange to undertake a normal course issuer bid program for the period from January 22, 2003 to January 21, 2004. Pursuant to the issuer bid, the Fund may purchase up to 505,000 of its units for cancellation when the net asset value per unit exceeds its trading price. During the three months ended March 31, 2003, no such units were purchased.

The weighted average number of units outstanding for the three months ended March 31, 2003 was 5,420,053.

**4. 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 no later than the tenth business day of the following month. For the three months ended March 31, 2003, the Fund declared total distributions of \$0.1875 per unit. Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund. For the three months ended March 31, 2003, a total of 193 units were issued by the Fund pursuant to the reinvestment plan.

**5. 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 0.95% per annum of the net asset value of the Fund plus applicable taxes. The Manager is responsible for paying fees to MFC Global Investment Management, the portfolio manager for 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 based on the proportionate number of units held by clients of such dealers at the end of each calendar quarter.

**6. Investment Transactions**

Investment transactions for the three months ended March 31, 2003 were as follows:

Proceeds from sale of investments	\$	2,012,944
Less cost of investments sold:		
Investments at cost – beginning of period		34,902,553
Investments purchased during the period		25,747,395
Investments at cost – end of period		(58,638,779)
Cost of investments sold during the period		2,011,169
Net realized gain on sale of investments	\$	1,775

**7. Loan Payable**

Pursuant to an agreement with a Canadian chartered bank (the "Bank"), the Fund maintains a 364-day revolving term credit facility for up to a maximum amount of \$8.9 million of which bankers' acceptances in the amount of \$8.0 million were outstanding as at March 31, 2003. The credit facility is secured by a first-ranking and exclusive charge on all of the Fund's assets and is renewable annually at the option of the Fund with the approval of the Bank. The Fund has the option of borrowing at the prime rate of interest or at the bankers' acceptance rate plus a fixed percentage.

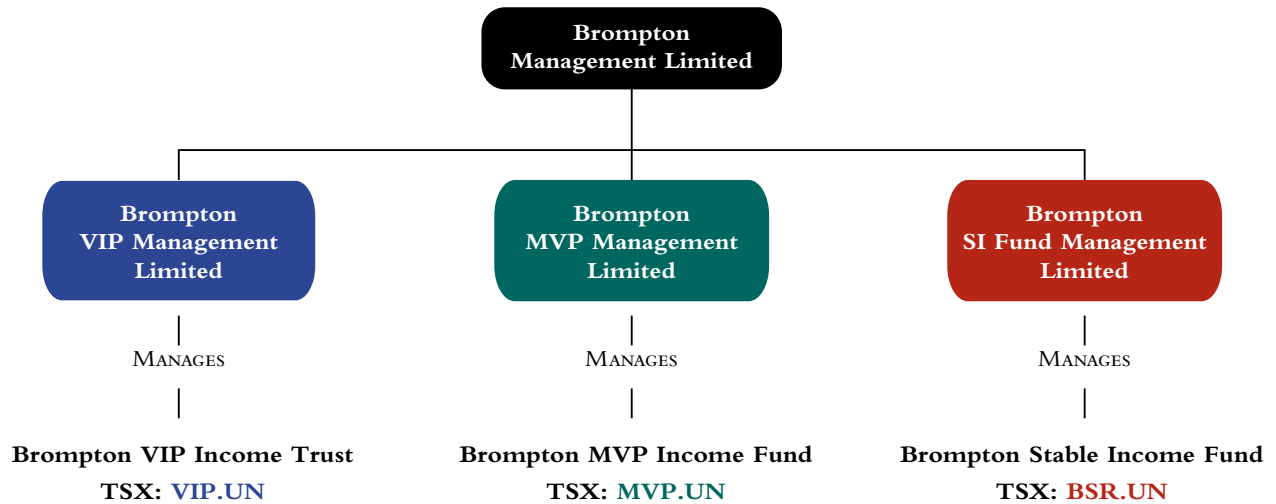
Costs incurred to establish the credit facility are deferred and amortized over the 364-day revolving term of the facility. For the three months ended March 31, 2003, the Fund has recorded amortization of these costs in the amount of \$8,002.

The credit facility is used by the Fund for the purchase of additional investments and for general Fund purposes.

**8. Subsequent Event**

On April 30, 2003, the Fund completed an offering for the distribution of 3.4 million additional units for \$10.30 per unit. This offering resulted in gross proceeds of \$35.0 million, issue costs of \$0.3 million, agents' fees of \$1.8 million and net proceeds to the Fund of \$32.9 million. Commencing with the distribution to be paid on May 14, 2003 to unitholders of record on April 30, 2003, the Fund has increased the monthly cash distribution to \$0.06458 (\$0.775 annually) per unit.

# Corporate Information



## Board of Directors

**Aubrey W. Baillie**, BA, MBA, CA <sup>1,4</sup>  
Former Deputy Chairman and COO, BMO Nesbitt Burns

**Peter A. Braaten**, BA, MBA <sup>1,2,3,4</sup>  
Chairman, Brompton Limited

**James W. Davie**, B.Comm, MBA <sup>1,2,3</sup>  
Former Managing Director, RBC Dominion Securities

**Donald L. Lenz**, BSc <sup>4</sup>  
Former Managing Director, RBC Dominion Securities;  
Vice-President, Goldman Sachs

**Donald W.C. Lillie**, BA, MBA <sup>4</sup>  
President, Brompton Capital Advisors Inc.

**P. Michael Nedham**, BSc, MBA, CBV <sup>3,4</sup>  
Former Managing Director, TD Securities; Co-Founder  
of Lancaster Financial Inc.

**Raymond R. Pether**, BA, MBA <sup>4</sup>  
Chief Executive Officer, Brompton Limited

**Peter L. Wallace**, BA, MBA <sup>2,4</sup>  
Former President, Midland Walwyn; Canada Trust  
Wealth Management

**Ken S. Woolner**, BSc, P.Eng. <sup>1,2,3</sup>  
President and CEO, Lightning Energy Ltd.; Former CEO,  
Velvet Exploration Ltd.

**Arthur R.A. Scace**, QC, BA, MA, LLB LLD <sup>1,2,3</sup>  
Partner, McCarthy Tétrault LLP

## Continuous Disclosure Manager

Contact: Donald W. C. Lillie  
Phone: 416.642.6003  
Email: lillie@bromptongroup.com

## Portfolio Manager

MFC Global Investment Management (Canada)

## Trustee

Computershare Trust Company of Canada

## Custodian

The Royal Trust Company

## Auditors

PricewaterhouseCoopers LLP

## Bankers

Bank of Nova Scotia  
Canadian Imperial Bank of Commerce  
Royal Bank of Canada

<sup>1</sup>Director, Brompton Stable Income Fund

<sup>2</sup>Director, Brompton MVP Income Fund

<sup>3</sup>Director, Brompton VIP Income Trust

<sup>4</sup>Director, Brompton Management Limited

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