

Vertex Enhanced Income Fund

Semi-Annual Financial Statements

June 30, 2010 (Unaudited)

Vertex Enhanced Income Fund

Statement of Net Assets

	(Unaudited) June 30, 2010	(Audited) December 31, 2009
Assets		
Investments at fair value	\$ 49,696,926	\$ 12,642,552
Cash and cash equivalents	2,023,755	3,414,392
Due from manager	-	29,482
Accrued interest and dividends receivable	642,549	84,258
Subscriptions receivable	712,260	675,638
	<u>53,075,490</u>	<u>16,846,322</u>
Liabilities		
Accrued performance fees (Note 5b)	493,013	53,152
Accrued Management fees (Note 5a)	52,478	-
Unrealized loss on forward contracts	1,146,095	1,132
Unrealized loss on options	22,137	40,426
Distributions payable	110,312	9,903
Accounts payable and accrued liabilities	59,390	29,482
Due to broker	196,979	680,621
Redemptions payable	14,688	-
	<u>2,095,092</u>	<u>814,716</u>
Net assets representing unitholders' equity	<u>\$ 50,980,398</u>	<u>\$ 16,031,606</u>
Net assets representing unitholders' equity per class		
Class B	\$ 31,781,103	\$ 10,294,565
Class F	\$ 19,199,295	\$ 5,737,041
Net assets per unit (Note 2)		
Class B	\$ 10.61	\$ 10.55
Class F	\$ 10.65	\$ 10.59

Approved by the Fund Manager

(signed) "Matthew A. Wood"

Matthew A. Wood
Director

(signed) "Jeffrey McCord"

Jeffrey McCord
Director

(See accompanying notes to the financial statements.)

Vertex Enhanced Income Fund

Statement of Operations

For the period ended June 30, 2010 (unaudited)

Investment income	
Dividends (net of withholding tax: \$23,255)	411,405
Interest and other income	933,215
	<u>1,344,620</u>
Expenses (Note 5)	
Performance fees	647,304
Management fees	232,508
Securityholder reporting costs	86,008
Other administrative expenses	10,362
Custody fees	6,318
Derivatives transaction fees	-
Audit fees	9,750
Legal fees	8,901
Trustee fees	-
IRC fees	10,250
	<u>1,011,401</u>
Net investment income before absorbed expenses	333,219
Expenses absorbed by manager (Note 5)	69,774
Net investment loss	402,993
Realized and unrealized gain (loss) on investments and transaction costs	
Realized gain on sale of investments	877,889
Transaction costs (Note 2)	(26,652)
Unrealized appreciation on investments	(1,759,057)
Unrealized depreciation on foreign currency	12,556
Net realized and unrealized gain on investments	(895,264)
Increase in net assets from operations	\$ (492,271)
Increase in net assets from operations per Class	
Class B	\$ (270,227)
Class F	\$ (222,044)
Increase in net assets from operations per unit (Note 4)*	
Class B	\$ (0.12)
Class F	\$ (0.19)

* Based on the weighted average number of units outstanding during the period

(See accompanying notes to the financial statements.)

Vertex Enhanced Income Fund

Statement of Changes in Net Assets

For the period ended June 30, 2010 (unaudited)

	<u>Class B</u>	<u>Class F</u>
Net assets, beginning of period	\$ 10,294,565	\$ 5,737,041
Increase in net assets from operations	(270,227)	(222,044)
Capital transactions (Note 4)		
Proceeds from issuance of units	22,501,593	14,507,987
Redemption of units	(693,786)	(748,177)
Reinvestment of distributions	380,651	236,100
	<u>22,188,458</u>	<u>13,995,910</u>
Distributions to unitholders		
From net investment income	(431,693)	(311,612)
	<u>(431,693)</u>	<u>(311,612)</u>
Net assets, end of period	\$ 31,781,103	\$ 19,199,295
	<u>Total</u>	
Net assets, beginning of period	\$ 16,031,606	
Increase in net assets from operations	(492,271)	
Capital transactions (Note 4)		
Proceeds from issuance of units	37,009,580	
Redemption of units	(1,441,963)	
Reinvestment of distributions	616,751	
	<u>36,184,368</u>	
Distributions to unitholders		
From net investment income	(743,305)	
From net realized gains	-	
From return of capital	-	
	<u>(743,305)</u>	
Net assets, end of period	\$ 50,980,398	

(See accompanying notes to the financial statements.)

Vertex Enhanced Income Fund

Statement of Investments

As at June 30, 2010 (Unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
BONDS						
Corporate Bonds						
1,020,000	Ainsworth Lumber Co., Ltd.	11.000%	29-Jul-15	899,973	970,097	
500,000	Algonquin Power & Utilities Corp.	7.000%	30-Jun-17	500,000	522,500	
2,400,000	Angiotech Pharmaceuticals Inc.	7.750%	1-Apr-14	1,527,998	1,504,718	
200,000	Calloway Real Estate Investment Trust	5.750%	30-Jun-17	200,000	201,000	
250,000	Call Genie Inc.	12.000%	30-Oct-12	250,000	250,000	
500,000	Canwel Building Materials Group Ltd.	5.850%	30-Apr-17	475,000	465,250	
900,000	Clearwater Seafoods Income Fund	7.250%	31-Mar-14	668,125	679,500	
82,000	Connacher Oil and Gas Ltd.	4.750%	30-Jun-12	68,963	75,235	
1,371,000	Fibretek Inc.	7.000%	31-Dec-11	1,117,017	1,316,160	
526,000	First Uranium Corp.	4.250%	30-Jun-12	372,743	341,900	
375,000	MEGA Brands Inc.	10.000%	31-Mar-15	375,000	392,569	
400,000	Millar Western Forest Products Ltd.	7.750%	15-Nov-13	378,433	365,553	
100,000	NAL Oil & Gas Trust	6.250%	31-Dec-14	100,000	103,500	
600,000	National Money Mart Co.	10.375%	15-Dec-16	634,963	647,156	
500,000	Parkland Income Fund	6.500%	30-Nov-14	500,000	512,500	
150,000	Sable Resources Ltd.	8.000%	1-Nov-12	150,000	150,000	
400,000	Sino-Forest Corp.	4.250%	15-Dec-16	432,521	390,525	
240,000	Sterling Shoes	6.500%	31-Oct-12	165,420	208,800	
357,000	Zarlink Semiconductor Inc.	6.000%	30-Sep-12	314,254	357,071	
	Total Domestic Bonds			9,130,410	9,454,034	19.48
Foreign Bonds						
United States of America						
300,000	Advanced Micro Devices Inc.	6.000%	1-May-15	233,225	302,856	
900,000	American Casino & Entertainment Properties LLC	11.000%	15-Jun-14	856,075	908,569	
1,000,000	Ames True Temper Inc.	10.000%	15-Jul-12	1,037,350	1,036,088	
600,000	Appleton Papers Inc.	10.500%	15-Jun-15	607,684	602,525	
1,000,000	C10 Capital SPV Ltd	6.722%	18-Dec-30	724,403	691,522	
1,500,000	CIT Group Inc.	7.000%	1-May-16	1,422,917	1,454,508	
1,000,000	Ciena Corp.	0.875%	15-Jun-17	708,857	660,174	
1,000,000	Dynegy Holdings Inc.	7.500%	1-Jun-15	857,894	835,512	
2,000,000	Dynegy Holdings Inc.	7.500%	1-Jun-15	1,821,358	1,681,650	
72,000	Eastman Kodak Co.	7.250%	15-Nov-13	64,223	74,981	
1,000,000	Eastman Kodak Co.	9.750%	1-Mar-18	1,039,773	1,046,714	
500,000	Firstservice Corp.	6.500%	31-Dec-14	526,177	549,923	
100,000	Great-West Life & Annuity Insurance Co.	7.153%	16-May-46	93,595	93,514	
2,300,000	Kingsway America Inc.	7.500%	1-Feb-14	1,661,160	2,053,048	
25,000	Level 3 Communications Inc.	5.250%	15-Dec-11	23,524	25,437	
1,375,000	Level 3 Financing Inc.	10.000%	1-Feb-18	1,390,912	1,293,117	
400,000	Liberty Mutual Group Inc.	7.000%	15-Mar-37	356,967	333,656	
850,000	Lifetime Brands Inc.	4.750%	15-Jul-11	788,770	871,642	
250,000	Northgroup Preferred Capital Corp.	6.378%	29-Jan-49	230,953	238,274	
100,000	Patriot Coal Corp.	3.250%	31-May-13	85,970	86,606	
2,750,000	Synovus Financial Corp.	4.875%	15-Feb-13	2,412,892	2,617,298	
100,000	The Manitowoc Co., Inc.	7.125%	1-Nov-13	96,217	102,546	
500,000	The Manitowoc Co., Inc.	9.500%	15-Feb-18	540,373	531,327	
1,500,000	Wachovia Capital Trust III	5.800%	31-Dec-49	1,253,696	1,267,215	
1,000,000	Zions Bancorporation	6.000%	15-Sep-15	903,571	963,370	
	Total Foreign Bonds			19,738,536	20,322,072	41.88
	TOTAL BONDS			28,868,946	29,776,106	61.36
STOCKS						
ENERGY						
21,000	Canadian Oil Sands Trust			605,915	566,790	
15,000	Fort Chicago Energy Partners LP			149,753	156,750	
	TOTAL ENERGY			755,668	723,540	1.49

(See accompanying notes to the financial statements)

Vertex Enhanced Income Fund

Statement of Investments

As at June 30, 2010 (Unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
MATERIALS						
7,300	Acadian Timber Corp.			56,137	44,895	
3,500	Canfor Pulp Income Fund			34,670	50,225	
6,200	Weyerhaeuser Co.			302,273	231,914	
	TOTAL MATERIALS			393,080	327,034	0.67
INDUSTRIALS						
Capital Goods						
51,700	Canwel Building Materials Group Ltd.			196,558	200,079	
44,400	New Flyer Industries Inc.			487,375	433,788	
19,000	Superior Plus Corp.			259,620	242,820	
	Total Capital Goods			943,553	876,687	1.81
Commercial Services & Supplies						
1,800	DirectCash Income Fund			23,833	29,916	
	Total Commercial Services & Supplies			23,833	29,916	0.06
	TOTAL INDUSTRIALS			967,386	906,603	1.87
CONSUMER DISCRETIONARY						
Retailing						
34,300	Chesswood Income Fund			116,857	142,002	
34,300	Chesswood Income Fund, Rights			-	515	
	Total Retailing			116,857	142,517	0.29
Consumer Durables & Apparel						
300,000	Mega Brands Inc., Warrants (30Mar15)			-	42,000	
	Total Consumer Durables & Apparel			-	42,000	0.09
	TOTAL CONSUMER DISCRETIONARY			116,857	184,517	0.38
HEALTH CARE						
Health Care Equipment & Services						
50,000	Leisureworld Senior Care Corp.			500,000	455,500	0.94
	Total Health Care Equipment & Services			500,000	455,500	0.94
Pharmaceuticals & Biotechnology						
15,000	Bristol-Myers Squibb Co.			407,236	397,380	
14,000	Eli Lilly & Co.			519,137	498,385	
17,700	Merck & Co., Ltd.			697,238	657,186	
22,000	Pfizer Inc.			400,979	333,142	
	Total Pharmaceuticals & Biotechnology			2,024,590	1,886,093	3.89
	TOTAL HEALTH CARE			2,524,590	2,341,593	4.83
FINANCIALS						
Banks						
73,500	Banco Santander Central Hispano SA			732,253	817,760	
18,500	Bank of Montreal			1,128,603	1,068,190	
14,000	Canadian Imperial Bank of Commerce			1,004,012	925,960	
19,000	Citigroup Inc.			2,438,509	2,266,577	
3,000	KeyCorp			266,698	303,653	
7	Union Planter			475,915	569,051	
8,000	Zions Bancorporation			195,826	183,287	
	Total Banks			6,241,816	6,134,478	12.65
Diversified Financials						
23,700	AGF Management Ltd.			397,005	339,147	
15,000	Synovus Financial Corp.			441,909	384,946	
	Total Diversified Financials			838,914	724,093	1.49

(See accompanying notes to the financial statements)

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As at June 30, 2010 (Unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
Insurance						
9,000	Aspen Insurance Holdings Ltd.			510,659	481,255	
20,700	Great-West Life & Annuity Insurance Co.			566,667	498,042	
20,000	Hartford Financial Services Group Inc.			524,141	490,096	
15,000	Manulife Financial Corp.			292,580	231,750	
36,000	Old Republic International Corp.			457,335	463,275	
7,600	Power Financial Corp.			244,539	207,328	
22,900	Sun Life Financial Inc.			707,548	640,284	
9,000	Western Financial Group Inc.			1,009,035	954,630	
17,700	XL Capital Ltd.			502,567	471,165	
	Total Insurance			4,815,071	4,437,825	9.14
Real Estate						
60,000	Beazer Homes USA Inc.			1,663,736	1,291,762	
2,500	Calloway Real Estate Investment Trust			44,678	52,300	
14,300	Dundee Real Estate Investment Trust			316,902	349,635	
6,250	Extencicare Real Estate Investment Trust			49,248	53,313	
11,000	Extencicare Real Estate Investment Trust, Private Placement			102,850	93,830	
2,000	FirstService Corp. - 7% Preferred			40,176	50,051	
13,950	InnVest Real Estate Investment Trust			65,787	82,026	
20,050	Killam Properties Inc.			162,736	168,621	
7,200	Plum Creek Timber Co. Inc.			267,742	263,887	
3,200	Primaris Retail Real Estate Investment Trust			48,436	55,712	
	Total Real Estate			2,762,291	2,461,137	5.07
	TOTAL FINANCIALS			14,658,092	13,757,533	28.35
INFORMATION TECHNOLOGY						
Technology Hardware & Equipment						
120,000	Call Genie Inc., Warrants (31Oct11)			-	3,676	
375	Lucent Technologies Capital Trust I			305,061	285,721	
	TOTAL INFORMATION TECHNOLOGY			305,061	289,397	0.60
TELECOMMUNICATION SERVICES						
4,400	BCE Inc.			128,798	136,664	
14,400	Manitoba Telecom Services Inc.			450,701	387,504	
10,200	TELUS Corp.			415,016	409,734	
	TOTAL TELECOMMUNICATION SERVICES			994,515	933,902	1.92
UTILITIES						
10,400	Capital Power Income LP			148,328	169,312	
400	Capital Power Income Ltd.			10,000	10,680	
14,000	Northland Power Income Fund			154,405	192,220	
	TOTAL UTILITIES			312,733	372,212	0.77
	TOTAL STOCKS			21,027,982	19,836,331	40.88
FORWARD CONTRACTS						
	Sell CAD 1,000,000, Buy USD 1,070,340 @ 1.07034 - July 26, 2010			-	7,512	
	Sell CAD 500,000, Buy USD 536,750 @ 1.07350 - July 26, 2010			-	5,335	
	Sell CAD 500,000, Buy USD 540,129 @ 1.08026 - July 26, 2010			-	8,711	
	Sell CAD 500,000, Buy USD 536,580 @ 1.07316 - July 26, 2010			-	5,165	
	Sell CAD 500,000, Buy USD 535,895 @ 1.07179 - July 26, 2010			-	4,480	
	Sell CAD 500,000, Buy USD 535,320 @ 1.07064 - July 26, 2010			-	3,906	
	Buy CAD 500,000, Sell USD 512,815 @ 1.02563 - August 11, 2010			-	18,629	
	Buy CAD 500,000, Sell USD 513,370 @ 1.02674 - August 11, 2010			-	18,076	
	Sell CAD 500,000, Buy USD 536,548 @ 1.07310 - August 26, 2010			-	5,020	
	Sell CAD 2,500,000, Buy USD 2,665,283 @ 1.06611 - August 27, 2010			-	7,655	
	TOTAL FORWARD CONTRACTS				84,489	0.17
	TOTAL LONG			49,896,928	49,696,926	102.41

(See accompanying notes to the financial statements)

Vertex Enhanced Income Fund

Statement of Investments

As at June 30, 2010 (Unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
	TOTAL SHORT (Schedule 1)			(59,688)	(1,168,232)	(2.41)
	TOTAL INVESTMENTS			49,837,240	48,528,694	100.00
	Transaction Costs (Note 2)			(26,577)		
	TOTAL INVESTMENTS			49,837,240	48,528,694	100.00

(See accompanying notes to the financial statements)

Vertex Enhanced Income Fund

Statement of Investments

As at June 30, 2010 (Unaudited)

Schedule 1

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Proceed \$	Fair Value \$	% of Total
SHORT						
FORWARD CONTRACTS						
	Sell CAD 500,000, Buy USD 505,050 @ 1.01010 - July 09, 2010			-	(26,297)	
	Sell CAD 500,000, Buy USD 503,805 @ 1.00761 - July 09, 2010			-	(27,540)	
	Sell CAD 500,000, Buy USD 521,855 @ 1.04371 - July 12, 2010			-	(9,507)	
	Sell CAD 3,000,000, Buy USD 3,015,210 @ 1.00507 - July 13, 2010			-	(172,934)	
	Sell CAD 950,000, Buy USD 953,427 @ 1.00361 - July 14, 2010			-	(56,157)	
	Sell CAD 1,000,000, Buy USD 1,015,935 @ 1.01594 - July 20, 2010			-	(46,823)	
	Sell CAD 350,000, Buy USD 349,608 @ 0.99888 - July 21, 2010			-	(22,356)	
	Sell CAD 1,000,000, Buy USD 996,517 @ 0.99652 - July 22, 2010			-	(66,241)	
	Sell CAD 1,000,000, Buy USD 1,003,382 @ 1.00338 - July 30, 2010			-	(59,422)	
	Sell CAD 2,500,000, Buy USD 2,533,130 @ 1.01325 - August 03, 2010			-	(123,955)	
	Sell CAD 1,500,000, Buy USD 1,535,217 @ 1.02348 - August 05, 2010			-	(59,064)	
	Sell CAD 250,000, Buy USD 257,579 @ 1.03032 - August 06, 2010			-	(8,137)	
	Sell CAD 300,000, Buy USD 310,284 @ 1.03428 - August 09, 2010			-	(8,583)	
	Sell CAD 500,000, Buy USD 512,800 @ 1.02560 - August 11, 2010			-	(18,645)	
	Sell CAD 1,000,000, Buy USD 1,027,500 @ 1.02750 - August 11, 2010			-	(35,393)	
	Sell CAD 500,000, Buy USD 513,460 @ 1.02692 - August 11, 2010			-	(17,986)	
	Sell CAD 1,500,000, Buy USD 1,532,625 @ 1.02175 - August 12, 2010			-	(61,713)	
	Sell CAD 500,000, Buy USD 510,300 @ 1.02060 - August 12, 2010			-	(21,145)	
	Sell CAD 350,000, Buy USD 355,894 @ 1.01684 - August 13, 2010			-	(16,118)	
	Sell CAD 800,000, Buy USD 824,125 @ 1.03016 - August 16, 2010			-	(26,216)	
	Sell CAD 2,000,000, Buy USD 2,065,950 @ 1.03298 - August 17, 2010			-	(59,921)	
	Sell CAD 1,300,000, Buy USD 1,341,594 @ 1.03200 - August 17, 2010			-	(40,221)	
	Sell CAD 350,000, Buy USD 362,319 @ 1.03520 - August 18, 2010			-	(9,711)	
	Sell CAD 50,000, Buy USD 51,622 @ 1.03244 - August 18, 2010			-	(1,525)	
	Sell CAD 500,000, Buy USD 528,908 @ 1.05782 - August 31, 2010			-	(2,627)	
	Sell CAD 1,000,000, Buy USD 1,056,065 @ 1.05607 - August 31, 2010			-	(7,002)	
	Sell CAD 500,000, Buy USD 524,281 @ 1.04856 - September 01, 2010			-	(7,250)	
	Sell CAD 500,000, Buy USD 523,538 @ 1.04708 - September 02, 2010			-	(7,997)	
	Sell CAD 600,000, Buy USD 617,578 @ 1.02930 - September 16, 2010			-	(20,316)	
	Sell CAD 800,000, Buy USD 823,518 @ 1.02940 - September 16, 2010			-	(27,008)	
	Sell CAD 1,250,000, Buy USD 1,284,629 @ 1.02770 - September 17, 2010			-	(44,323)	
	Sell CAD 1,000,000, Buy USD 1,029,203 @ 1.02920 - September 17, 2010			-	(33,962)	
	TOTAL FORWARD CONTRACTS			-	(1,146,095)	(2.36)
OPTIONS						
Call Options						
(57)	Bank of Montreal, Jul/64			(5,301)	(399)	
(94)	Bank of Montreal, Aug/62			(10,810)	(4,888)	
(150)	Bristol Myers, Jul/26			(6,600)	(2,391)	
(44)	BCE, Aug/32			(3,080)	(1,848)	
(89)	Canadian Imperial Bank of Commerce, Jul/74			(8,455)	(712)	
(110)	Canadian Oil Sands Trust, Jul/29			(7,700)	(1,265)	
(72)	Plum Creek Timber, Jul/35			(11,520)	(5,738)	
(102)	Telus Corp., Aug/42			(6,222)	(4,896)	
	Total Call Options			(59,688)	(22,137)	(0.05)
	TOTAL OPTIONS			(59,688)	(22,137)	(0.05)
	TOTAL SHORT			(59,688)	(1,168,232)	(2.41)

(See accompanying notes to the financial statements)

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2010

1. Establishment of trust

The Vertex Enhanced Income Fund (the "Fund") was created on September 14, 2009 under the laws of British Columbia. Vertex One Asset Management Inc. is the Investment Manager and RBC Dexia Investor Services Trust is the Trustee and Custodian of the Fund. The Fund commenced operations on September 21, 2009. The Fund currently offers an unlimited number of Class B and Class F Units.

The investment objective of the Fund is to provide preservation of capital while providing high income by investing primarily in Canadian and United States bonds and debentures. The Vertex Enhanced Income Fund's secondary objective is to provide capital growth.

2. Significant accounting policies

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

Valuation of investments

The valuation methods adopted pursuant to Section 3855, which are discussed below, differ from methods used by the Fund in striking its net asset value (NAV) used in the processing of unitholder transactions during the period. The NAV continues to be computed using the Fund's previous valuation policies for actively traded securities, which are that listed securities are valued at the last reported sales price on the principal exchange on which the security trades (transactional NAV).

As at June 30, 2010, the Fund's net asset value per unit was:

	Net Assets Per Unit		Net Asset Value Per Unit	
	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Class B	10.61	10.55	10.68	10.59
Class F	10.65	10.59	10.71	10.64

The difference between the net asset value per unit and the net assets per unit reported in the Statement of Net Assets results from the use of different valuation methodologies discussed above.

For financial statement purposes, the fair value of the Fund's investments is determined as follows:

Investments are categorized as held for trading in accordance with Section 3855. Investments are recorded at fair value, established by the bid price for a long security and ask price for short security on the recognized exchange on which it is principally traded (GAAP Net Assets). The value of any security which is not listed or traded on an exchange, but which is listed or traded on another market, including an over-the-counter market, (being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof), shall be determined in the same manner as a listed security by reference to prices on that market.

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2010

The value of any security or property for which, in the opinion of the Investment Manager the published market quotations are not readily available shall be the fair value as determined by the Investment Manager based on valuation techniques. The fair value of certain securities are determined by using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparison with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would have used had a ready market for the investment existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Investment purchase and sale transactions are recorded on trade date and realized and unrealized gains and losses on investments are determined using average cost.

Other assets and liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends, amounts due from broker, subscriptions receivable and other assets are designated as loans and other receivables and recorded at cost or amortized cost. Similarly, amount due to broker, accrued expenses and other liabilities are designated as other financial liabilities and reported at cost or amortized cost.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. In accordance with Section 3855, transaction costs are expensed and are included in "Transaction costs" in the Statement of Operations. The embedded transaction costs in the cost of investment portfolio as at June 30, 2010 are disclosed in the Statement of Investment Portfolio.

Recognition of income and expenses

The accrual method of recording income and expenses is followed by the Fund with dividends being recorded on the ex-dividend date. Realized gains and losses on investments and unrealized appreciation/(depreciation) in the value of investments are calculated using the average cost of the related investments. Income, realized gain/(loss) and unrealized gain/(loss) are allocated among the classes on a pro-rata basis. Distributions received from income trusts are recorded as income, capital gains or return of capital based on the best information available to the Fund. Distributions that are treated as return of capital for income tax purposes reduce the average cost of the underlying Trust.

Purchase and redemption of units

The value at which units are issued or redeemed is determined by dividing the net assets at fair value of the Fund applicable to that class by the total number of units of that class outstanding on the valuation date, which is the last business day of each month or any other business day specified by the Investment Manager from time to time. For the purposes of purchase and redemption of units, the net asset value as described above is used, which differs from the net assets per unit in the Statement of Net Assets.

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Amounts received on the issuance of units and amounts paid on the redemption of units are added to or deducted from unitholders' equity.

Forward contracts

The Fund enters into forward contracts to manage risk or to achieve desired returns. Gain or losses are realized based on the settlement term of the forward contracts. Fair values for forward contracts are based on the gain or loss that would arise as a result of closing the position at the valuation date; these values generally reflect the estimated amount that would be received or paid to terminate the contract at the period-end date.

Options

Options may be used by the Fund, but only to the extent considered appropriate by the Manager. Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Statement of Investments. Exchange traded options are valued at current market value and over the counter options are valued using industry-accepted modeling techniques on each valuation day.

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – realized gains will arise equal to the intrinsic value of the option; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling options to close the position net of any premium paid.

Realized gains and losses relating to written options may arise from:

- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in “realized loss on sale of investments” in the Statement of Operations.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the period end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date.

Increase (decrease) in net assets from operations for each class

Increase (decrease) in net assets from operations per unit in the Statement of Operations represents the net increase (decrease) in net assets from operations for the period, divided by the average units outstanding during the period.

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Future Accounting Changes

At June 30, 2010, the Manager is in the process of developing a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (CICA) for changeover to International Financial Reporting Standards (IFRS) which will include identifying differences between the Fund's current accounting policies and those it expects to adopt under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the Nav of the Fund. The key elements of the plan include the disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will likely be no impact to net asset value per unit from the changeover to IFRS but will continue to assess based on changes to existing IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund.

3. Fair Value Disclosure

Financial Instruments – Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2010.

Financial Assets at fair value as at June 30, 2010				
	Level 1	Level 2	Level 3	Total
Equities - Long	19,263,604	3,676	569,051	19,836,331
Bonds - Long	-	29,776,106	-	29,776,106
Forward contracts	-	84,489	-	84,489
	<u>19,263,604</u>	<u>29,864,271</u>	<u>569,051</u>	<u>49,696,926</u>
Financial Assets at fair value as at December 31, 2009				
	Level 1	Level 2	Level 3	Total
Equities - Long	3,525,740	206,000	621,845	4,353,585
Bonds - Long	-	7,217,299	1,019,230	8,236,529
Forward contracts	-	52,438	-	52,438
	<u>3,525,740</u>	<u>7,475,737</u>	<u>1,641,075</u>	<u>12,642,552</u>

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Financial Assets at fair value as at June 30, 2010				
	Level 1	Level 2	Level 3	Total
Forward contracts - Short	-	(1,146,095)	-	(1,146,095)
Options - Short	(22,137)	-	-	(22,137)
	(22,137)	(1,146,095)	-	(1,168,232)

Financial Assets at fair value as at December 31, 2009				
	Level 1	Level 2	Level 3	Total
Forward contracts - Short	-	(1,132)	-	(1,132)
Options - Short	(40,426)	-	-	(40,426)
	(40,426)	(1,132)	-	(41,558)

There were no transfers between the levels during the period ended June 30, 2010.

The following is a reconciliation of Level 3 fair value measurements from December 31, 2009 to June 30, 2010:

	Fair value measurements using level 3 inputs	
	Equities - long	Bonds - Long
Balance at December 31, 2009	621,845	1,019,230
Net purchases and sales	-	(333,405)
Net transfers in (out)	(266,256)	(661,250)
Gains (Losses)		
Realized	-	17,903
Unrealized	213,462	(42,478)
Balance at June 30, 2010	569,051	-

The following is a reconciliation of Level 3 fair value measurements from September 21, 2009 (commencement of operations) to December 31, 2009:

	Fair value measurements using level 3 inputs	
	Equities - long	Bonds - Long
Balance at September 21, 2009 (commencement of operations)	-	-
Net purchases and sales	621,845	250,000
Net transfers in (out)	-	769,230
Gains (Losses)		
Realized	-	-
Unrealized	-	-
Balance at December 31, 2009	621,845	1,019,230

Level 3 sensitivity analysis

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of \$569,051 as of June 30, 2010 (December 31, 2009- 1,641,075). The

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unobservable inputs used in the valuation of these financial instruments primarily include key variables, current market conditions and recent financing by the company, if any. These securities are affected by market activity in their relevant sectors and therefore generally fluctuate similarly.

If relevant market-related inputs increased or decreased by 5% with all other variables remaining constant, net assets would have possibly increased or decreased by approximately \$28,452 (December 31, 2009 - \$82,054).

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments. Included in the Fund's Level 3 financial instruments are equity investments in private placements. The unobservable inputs used in the valuation of these financial instruments primarily include key variables, current market conditions and recent financings by the company, if any.

4. Unitholders' equity and capital management

Unitholders' equity includes amounts representing net fund unit subscriptions, undistributed net income, undistributed realized gains (losses) on sale of investments and unrealized appreciation (depreciation) in value of investments. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in the Financial Risk Management notes (Note 10), the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of units during the period:

	2010	
	Class B	Class F
Units-Beginning of period	975,778	541,719
Units issued	2,046,310	1,309,073
Units reinvested	35,439	21,882
Units redeemed	(62,978)	(69,452)
Units-End of period	2,994,549	1,803,222

5. Fees and expenses

a) Management fees

Pursuant to the terms of a management agreement, the Fund pays to the Investment Manager, monthly in arrears, a base management fee. The management fee may vary from class to class and for each of the existing classes of units is as follows:

Class B: 1.5% per annum of the Net Asset Value of class B units of the Fund on the last business day of the preceding month.

Class F: 0.75% per annum of the Net Asset Value of class F units of the Fund on the last business day of the preceding month.

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b) Performance fees

The Fund also pays the Investment Manager an annual performance fee (the “performance fee”) equal to 20% of the amount by which the cumulative total return of the Fund exceeds the cumulative total percentage increase or decrease of the following benchmarks having the following components and provided that the net asset value per unit for each class of units exceeds a high-water mark. Performance fees will be calculated and accrued daily and payable by the Fund quarterly.

20% weighting – S&P/TSX Preferred Share Total Return Index (or its successor indices, as applicable)

20% weighting – S&P/TSX Composite Total Return Index (or its successor indices, as applicable)

60% weighting – Scotia McLeod Mid Term Bond Index (or its successor indices, as applicable)

If at any time the performance of the Fund is less than its benchmark, then no performance fee will be payable until the performance of this Fund relative to its benchmark has exceeded the amount of the deficiency and the deficiency will carry forward for one year. In addition, the highest daily net asset value per unit for each class of units establishes a high-water mark for each class of units which must be exceeded in subsequent days for the performance fee applicable to each class of units to be payable.

The performance fees incurred for the period ended June 30, 2010 were \$647,304 and \$493,013 were outstanding at June 30, 2010.

c) Fees and expenses

The Fund is responsible for the payment of all fees and expenses relating to its operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Investment Manager), record keeping and legal fees and expenses, custody and safekeeping charges.

Vertex One Asset Management, manager to the fund, absorbed certain administrative expenses, securityholder reporting costs, custody fees, audit fees, IRC fees and also waived certain management and performance fees due to the size of the fund in the months following its launch date.

6. Distribution of net investment income and capital gains

Net investment income and net capital gains of the Funds are distributed to unitholders of record as of the close of business on the last valuation day in the year. Unless unitholders have requested cash, all distributions are reinvested automatically in additional units of the Fund immediately following the valuation date.

7. Income taxes

The Fund is a mutual fund trust as defined by the Income Tax Act. No provisions for income taxes are included in the financial statements as the net income and net capital gains are distributed to the unitholders and immediately reinvested in the Fund. As of December 31, 2009, there were \$20,601 of capital losses and no non capital losses to be carried forward.

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8. Soft dollar commissions

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the investment manager. There were \$8,883 soft dollar commissions paid during the period.

9. Securities Lending Transactions

The Fund lends portfolio securities from time to time in order to earn additional income. Income from securities lending is recorded in investment income in the statement of operations of the Fund.

The Fund has entered into a securities lending program with its custodian, the RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 100% of the assets of the Fund. The Fund receives collateral of at least 105% of the value of securities on loan. Collateral may comprise cash, shares, and obligations of or guaranteed by the Government of Canada or a province thereof, by the United States government or its agencies, or by other Organization for Economic Coordination & Development (OECD) member countries' governments.

As at June 30, 2010, there were no securities on loan and no collateral held under securities lending.

10. Financial Risk Management

The Fund's financial instruments consist of cash and investments, accrued interest and dividends, amounts due from broker, subscriptions receivable and other assets designated as loans and other receivables. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Investment Manager maintains a risk management practice that includes quarterly monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The most important risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

(a) *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

As of June 30, 2010, if the S&P Index (which the fund was exposed to) had increased or decreased by 5% at June 30, 2010, with all other variables held constant, this would have approximately increased or decreased net assets to amount in difference of \$991,817 (December 31, 2009 - \$217,679). Actual results may differ from this sensitivity analysis and those results could be material.

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(b) Interest rate risk

As at June 30, 2010, 61.36% (December 31, 2009 – 65.36%) of the Funds' investment portfolio consists of interest bearing corporate bonds, as well as cash and cash equivalents and bonds. As a result, the Fund was subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows.

The table below summarizes the Fund's exposure to interest rate risk. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
As at June 30, 2010					
Assets					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 19,836,331	\$ 19,836,331
Bonds	-	18,006,189	11,769,920	-	29,776,109
Cash and cash equivalents	2,023,755	-	-	-	2,023,755
Accrued interest and dividend receivable	642,549	-	-	-	642,549
Subscription receivable	712,260	-	-	-	712,260
Total Assets	3,378,564	18,006,189	11,769,920	19,836,331	52,991,004
Liabilities					
Option contracts	(22,137)	-	-	-	(22,137)
Forward contracts	(1,146,095)	-	-	-	(1,146,095)
Accounts payable and accrued liabilities	59,390	-	-	-	59,390
Due to brokers	196,979	-	-	-	196,979
Distributions payable to unitholders	110,312	-	-	-	110,312
Redemptions payable	14,688	-	-	-	14,688
Total Liabilities	(786,863)	-	-	-	(786,863)
Total Interest sensitivity gap	4,165,427	18,006,189	11,769,920	19,836,331	53,777,867

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	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
As at December 31, 2009					
Assets					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 4,353,585	\$ 4,353,585
Bonds		4,516,520	3,720,009		8,236,529
Forward contracts	52,438				52,438
Cash and cash equivalents	3,414,392			-	3,414,392
Accrued interest and dividend receivable	84,258				84,258
Subscriptions receivable	675,638		-	-	675,638
Total Assets	4,226,726	4,516,520	3,720,009	4,353,585	16,816,840
Liabilities					
Option contracts	40,426				40,426
Forward contracts	1,132				1,132
Accounts payable and accrued liabilities	29,482				29,482
Due to brokers	680,621				680,621
Total Liabilities	751,661	-	-	-	751,661
Total Interest sensitivity gap	\$ 3,475,065	\$ 4,516,520	\$ 3,720,009	\$ 4,353,585	\$ 16,065,179

At June 30, 2010, should interest rates have increased or decreased by 25 basis points with all other variables remaining constant, the decrease or increase in net assets for the period would amount to approximately \$250,068 (December 31, 2009 - \$31,249). Actual results may differ from this sensitivity analysis and those results could be material. The Fund's managers review the interest rate exposure on a regular basis.

(c) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than Canadian Dollar, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Statement of Investments identifies all investments denominated in foreign currencies. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's managers review the currency positions of the Fund on a regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

The table below summarizes the Fund's exposure to currency risks.

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	June 30, 2010
Currency	Exposure
U.S. Dollar	\$ 35,690,258

	December 31, 2009
Currency	Exposure
U.S. Dollar	\$ 5,865,181

As at June 30, 2010, if the exchange rate between the Canadian Dollar and the US Dollar the Fund was exposed to increased or decreased by 5%, with all other variables held constant, the decrease or increase respectively in net assets would approximately amount to values \$1,784,513 (December 31, 2009 - \$293,260). Actual results may differ from this sensitivity analysis and those results could be material.

(d) Credit risk

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from bonds. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund invests in financial assets, which have an investment grade as rated primarily by Dominion Bond Rating Service and Standard & Poor's. Ratings for securities that subject the Fund to credit risk are noted below:

Portfolio by rating category		
Rating	June 30, 2010	Dec 31, 2009
A/A	3.29%	4.01%
BBB/Bbb	0.00%	0.63%
BB/Bb	4.78%	5.39%
B/B	20.76%	9.32%
CCC/Ccc	11.24%	2.61%
N/R	21.29%	29.42%
Total	61.36%	51.38%

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

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(e) *Liquidity risk*

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units at the monthly valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The Fund retains sufficient cash and cash equivalents to maintain liquidity.