

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2009

VERTEX ENHANCED INCOME FUND

Integrity | Service | Performance | Independence



This annual management report of Fund performance contains financial highlights but does not contain the complete annual financial statements of the investment Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-681-5787, by writing to us at:

Vertex One Asset Management Inc.
Suite 1920 – 1177 West Hastings Street
Vancouver, BC
V6E 2K3

or by visiting our website at

www.vertexone.com

or

SEDAR at www.sedar.com

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

MANAGEMENT DISCUSSION AND FUND PERFORMANCE

Investment Objective and Strategies

The Fundamental investment objective of Vertex One Asset Management's Enhanced Income Fund (the "Fund") is to provide preservation of capital while providing high income by investing primarily in Canadian and United States bonds, debentures, and equities. The secondary objective is to provide capital growth.

The Fund will invest largely in high yield and convertible bonds, preferred shares, high-yielding equities (up to a 25% weighting) and government debt including federal, provincial, state and municipal issues.

One of the unique features of the Fund is the use of covered call writing. It is used to enhance yield derived from the equity component of the Fund and decrease volatility. The covered call writing strategy consists of the sale of a call option while simultaneously owning the underlying security. Returns are generated from both the collection of option premiums and increases in the underlying stock held. Protection to the downside is equal to the amount of the option premium collected.

The investments of the Fund are subject to the following restrictions:

- No more than 50% of the Fund will be exposed to foreign currencies.
- No more than 25% will be invested in common high yield equities.
- The Fund will hold a minimum of 25 securities.
- There will be no short selling of equities.
- The Fund will not invest more than 25% of the market value of its net assets in common equities.
- The Fund will not invest more than 25% of the market value of its net assets in preferred shares.

The inception date of the Fund was September 21, 2009.

Risk

In the initial three months since inception of the Fund, the portfolio has adhered to all of its strategic objectives. As initial capital entered the Fund and strategic allocations were made the Fund at times held levels of cash that were higher than can be expected going forward. As well, due to the Fund's infancy, asset allocation was not necessarily indicative of future weightings. The Fund aims to be highly diversified with a portfolio of 80-100 positions which greatly reduces the risk of default by keeping exposures around 1% of the Fund.

Foreign currency exposure is kept to a minimum through hedging practices designed to insulate the Fund from any deviations in foreign currency that could have an impact on the Fund's returns.

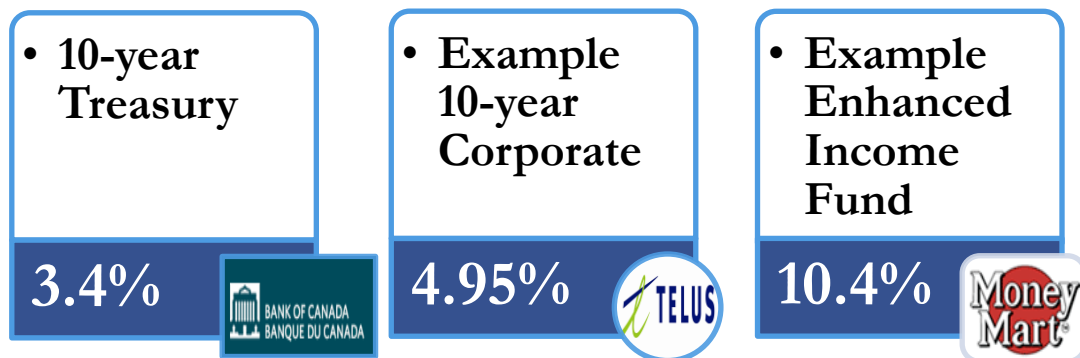
Specific risks associated with an investment in the Vertex Enhanced Income Fund are credit risk, interest rate risk, and equity risk; as well as the general risks associated with mutual Fund investing.

Results of Operation

The Fund commenced operation September 21, 2009, with a portfolio concentrated on investments in higher yield fixed income instruments such as corporate bonds, convertible bonds, REITs and income trusts. As well, up to 25% of the portfolio can be invested in common equities that meet the Portfolio Manager's criteria for high yield and value. Throughout the first quarter of the Fund's operation, the manager was able to find many high yielding investments and a significant portion of these assets were deployed into corporate bonds.

At December 31, 2009, the Fund was heavily weighted towards Fixed Income with 63.78% of the portfolio invested in Bonds. Due to the fallout of the credit crisis, default rates, especially in the American market, are currently improperly priced into the market. This has presented compelling opportunities in the fixed income arena. Default rates are on the decline and due to the aftermath of 2008's credit crisis investors remain timid. This provided us with a swath of opportunity to find very high yields from companies with a low risk of default. Furthermore, cash has remained on the sidelines following one of the biggest cash hoards in history as investors ripped Funds away from riskier asset classes in search of safety. The result of this cash hoard is increased competition amongst companies raising money from a reduced pool of investment capital.

An example of how this Fund is taking advantage of the current fixed income environment is displayed in the below comparison of yields:



Along with the hunt for high-yielding equities and corporate bonds, the Fund has been executing its covered call writing strategy to enhance yield. At December 31, 2009, the portfolio had a 36.14% exposure to high-yield equity, for which approximately 50% were paired with covered call options.

As the Fund matures, the manager will continue to search for investment opportunities that meet the Fund's criteria and the asset allocation of the Fund will stabilize. Furthermore, levels of the cash will reduce as the appropriate investment opportunities arise.

Due to the recent inception of the Fund there have been no material developments to note other than the continuing investment of new cash, as it enters the Fund.

We do not foresee any changes to the management of the Fund in the near future, nor do we see any shift in strategic positioning.

Recent Developments

At December 31, 2009 the Manager is 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 indentifying 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 disclosures of the qualitative impact in the 2009 annual financial statement, 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.

Related Party Transactions

During the period ended December 31, 2009, the fund paid performance fees in the amount of \$53,152.00 to its manager, Vertex One Asset Management. As described in Note 5 to the financial statements of the Fund, management fees and certain other administrative expenses were absorbed by the manager due to the size of the Fund in the months following its launch date.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the period.

The Fund's Net Assets per Unit (3)

| 2009 | Class F | Class B |
|--|-----------------|-----------------|
| Net Assets, beginning of period (1) | \$ 10.00 | \$ 10.00 |
| Increase (decrease) from operations: | | |
| Total revenue | 0.11 | 0.16 |
| Total expenses | (0.07) | (0.11) |
| Realized gains (losses) for the period | (0.03) | (0.04) |
| Unrealized gains (losses) for the period | 0.82 | 0.94 |
| Total increase (decrease) from operations (1) | 0.83 | 0.95 |
| | | |
| Distributions : | | |
| From income (excluding dividends) | - | - |
| From dividends | 0.04 | 0.04 |
| From capital gains | - | |

| | | |
|--|-----------------|-----------------|
| Return of capital | - | - |
| Total annual distributions ⁽²⁾ | 0.04 | 0.04 |
| Net Assets, end of period | \$ 10.59 | \$ 10.55 |

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) This information is derived from the Portfolio's audited annual financial statements. The net assets presented in the financial statements differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences can be found in Note 2 of the notes to the financial statements.
- (4) Fund Commenced operations on September 21, 2009

Ratios and Supplemental Data

| 2009 | Class F | Class B |
|--|---------|---------|
| Total net asset value (\$ 000's) ⁽¹⁾ | 5,761 | 10,338 |
| Number of units outstanding ⁽¹⁾ | 541,719 | 975,778 |
| Management expense ratio (%) ⁽²⁾ | 2.59 | 3.65 |
| Management expense ratio before waivers or absorptions (%) | 5.42 | 6.60 |
| Portfolio turnover rate (%) ⁽³⁾ | 3.81 | 3.81 |
| Trading expense ratio (%) ⁽⁴⁾ | 0.49 | 0.49 |
| Net asset value per unit (\$) | 10.64 | 10.59 |

- (1) The information is provided as at December 31 of the year shown.
- (2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management Fees

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One a management fee, monthly in arrears, and calculated daily, on each business day, as a percentage of the net asset value of each class of Units that comprise a Fund.

The management fee may vary from class to class and will be deducted as an expense of the Fund in the calculation of the net profits of such Fund. The management fee for each of the existing classes of Units is as follows:

Class B: 1/12 of 1.5% (1.5% per annum) of the net asset value of the Class B Units on the last business day of the preceding month.

Class F: 1/12 of 0.75% (0.75% per annum) of the net asset value of the Class F Units on the last business day of the preceding month.

The Fund received services in consideration of the management fees as follows:

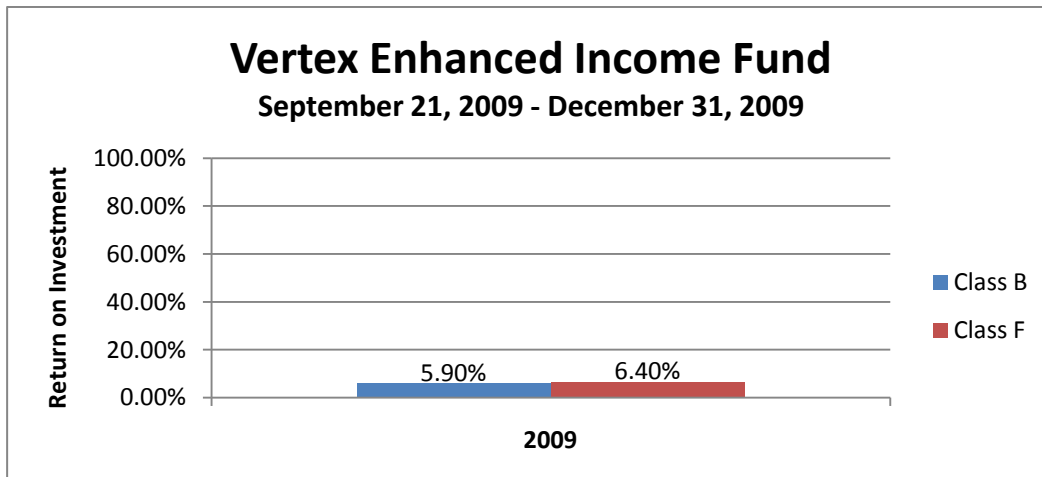
| Services Provided | Class B | Class F |
|---|---------|---------|
| Distribution related costs | 50% | 0% |
| Portfolio Advisor and Management Services | 50% | 100% |

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following chart shows the performance of the Fund since its inception date of September 21, 2009.



Annual Compound Return

The Fund has not completed a full year of subscription.

Summary of Investment Portfolio

The major portfolio categories and top holdings (up to 25) of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at March 31, 2010.

| Top 25 Holdings | |
|--|---------------------------|
| Issuers | % of Fund Net Asset Value |
| National Money Mart 10.375% 15/12/2016 | 4.01% |
| First Service Converts 6.5% 12/31/2014 | 3.25% |
| Algonquin Power & Utilities Corp 7% 06/31/2017 | 3.22% |
| Parkland Income Fund 6.5% 11/30/2014 | 3.22% |
| Union Planter | 3.02% |
| Sino-Forest Corp. 4.25% 15/12/2016 | 2.93% |
| Lifetime Brands Inc 4.75% 07/15/2011 | 2.61% |
| Clearwater Seafoods Income Fund 7.25% 15/12/2014 | 2.29% |
| SFK Pulp Fund 7.0% 13/12/2011 | 2.17% |
| Pacific Rubiales Energy 8.75% 10/11/2016 | 2.06% |
| Zarlink Semiconductor Inc. 6.0% 30/09/2012 | 2.02% |
| Wachovia Capital Trust III 5.8% 29/08/2049 | 2.00% |
| Zions Bancorporation 5.5% 16/11/2015 | 1.85% |
| Advanced Micro Devices Inc. 6.05% 01/05/2015 | 1.77% |
| Superior Plus Corp. | 1.73% |
| Eastman Kodak Co. 7.25% 15/11/2013 | 1.62% |
| Call Genie Inc. 12.0% 31/10/2012 | 1.56% |
| Daylight Resources Trust 6.25% 31/12/2014 | 1.56% |
| KeyCorp | 1.55% |
| Calloway Real Estate Investment Trust | 1.55% |
| Compton Petroleum Finance Corp. 7.625% 01/12/2013 | 1.49% |
| Plum Creek Timber Co. Inc. | 1.43% |
| Northgroup Preferred Capital Corp. 6.378% 29/01/2049 | 1.43% |
| CanWel Building Materials Income Fund | 1.28% |
| Harvest Energy Trust 7.5% 31/05/2015 | 1.28% |

The following chart sets out the percentage (based on net asset value) of the Fund's portfolio as at December 31, 2009.

