

JUNE 30, 2010

VERTEX ENHANCED INCOME FUND

Integrity | Service | Performance | Independence



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

A copy of the Quarterly Portfolio Disclosure for the fund is available on our website www.vertexone.com or by contacting us using the above methods.

MANAGEMENT DISCUSSION AND FUND PERFORMANCE

Results of Operation

For the six months ending June 30, 2010, the net assets per Class F Share of the fund were \$10.65 after payment of distributions to securityholders compared to \$10.59 on December 31, 2009. For the six months ending June 30, 2010, the net assets per Class B Share of the fund were \$10.61 after payment of distributions to securityholders compared to \$10.55 on December 31, 2009. Including distributions and net of expenses, the Fund returned 1.98% (F Class) and 1.71% (B Class). The performance of the Fund compared favourably with the Fund's benchmark indices over the same period:

(20%) S&P/TSX Composite Total Return Index returned: -2.55%

(20%) S&P/TSX Preferred Share Index returned: 0.43%

(60%) Scotia McLeod mid-term Bond Index returned: 2.73%

Total Benchmark return: 1.22%

During the six months ending June 30, 2010 the following income distributions were paid out by the fund:

March 31, 2010	F Class	\$0.03
	B Class	\$0.02
June 30, 2010	F Class	\$0.15
	B Class	\$0.13

The Fund experienced significant growth in assets during the period; with Net assets equaling \$16.0 Million at December 31, 2010 and ending with \$50.1 Million at June 30, 2010. This multiplication of assets had an absorption effect on the income distributed by the Fund during the period. Going forward, it is anticipated that the fund will be at a size to offset the distribution. Consequently, the yield of the fund should increase and stabilize.

By June 30, 2010 the Enhanced Income Fund had been in operation for nine months. At period end the Fund stood fully invested and reached its target holdings of between 80 and 100 securities. At December 31, 2009 the Fund held 61 securities with a large cash position of approximately 20%. At June 30, 2010 the Fund held 94 securities with a significantly decreased cash position of approximately 3%. This increase in the number of securities was due to the deployment of cash over the period resulting from increased opportunities in the marketplace.

Economic data started 2010 by continuing to show steady signs of a recovery in progress, both in North America and globally. In the United States manufacturing data was the key leading indicator showing progression rising out of the great recession which took hold in 2008. The theory being that strong manufacturing output numbers pointed to shrinking inventories (which had been at historical highs coming out of 2008) which signaled the strengthening of an American consumer (which represents 70% of the US GDP). Most leading indicators at the beginning of 2010 including jobs and housing data were showing signs of recovery. This optimism buoyed the stock market for the first quarter of 2010, notwithstanding a brief,

but strong relapse mid January, which foreshadowed the European debt crisis still to come in the second quarter.

The second quarter of 2010 proved to be the end of the honeymoon phase for the economic recovery heading out of credit crisis of 2008. Following an incredible 74% increase in the US stock market (in a period of just over one year), economic reality hit investors in the head like a battering ram. In May 2010, the combination of an across the board deterioration of economic numbers and the European sovereign debt crisis took a stranglehold of the world's attention and European Union fiscal policy, which led to a hasty selloff in the global markets. This selloff really began May 6 with what has been tagged as the "flash crash" where the Dow Jones dropped intraday 1000 points. Originally, blame was placed on trader and systematic error. This brought about regulatory changes which put in place fail-safe measures for preventing future flash events. All of this activity brought increased levels of fear and anxiety not only to the marketplace but to the public conscience, as was evident by plummeting consumer confidence levels.

The Fund, despite having two down months in May and June, took advantage of this period of high volatility by collecting high premiums for writing calls and picking up US corporate bonds that had sold off. This uncertainty only reinstated our belief that the risks of investing in equity right now outweigh their potential benefits. We feel more secure investing in high yield corporates, preferreds, and writing covered calls over dividend paying stock to generate not only yield but capital gains. We believe with the current high level of portfolio diversification and quality of securities owned, the Fund is well positioned going forward.

Recent Developments

HARMONIZED SALES TAX (HST)

Effective July 1, 2010 the provinces of Ontario and British Columbia will take steps to harmonize the provincial sales tax with the Government Sales Tax (GST). The resultant harmonized sales tax (HST) will equate to 13% in Ontario and 12% British Columbia; this stands in contrast to the 5% GST, being payable in those provinces for a number of expenses. The introduction of the HST will result in a taxation increase payable by the Fund as fees and expenses previously subject to GST will be subject to HST. Any increased costs resulting from an increase in such tax payable by the Fund may be borne by some or all of the unit holders of the Fund.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

At June 30, 2010 the Manager is continuing to develop 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 June 30, 2010, the Fund incurred performance fees in the amount of \$647,304 (including GST) to its manager, Vertex One Asset Management. As described in Note 5 to the financial statements of the Fund, certain 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)

Class F	June 30, 2010	December 31, 2009
Net Assets, beginning of period (1)	\$ 10.59	\$ 10.00
Increase (decrease) from operations:		
Total revenue	0.40	0.11
Total expenses	(0.27)	(0.07)
Realized gains (losses) for the period	0.26	(0.03)
Unrealized gains (losses) for the period	(0.58)	0.82
Total increase (decrease) from operations (1)	(0.19)	0.83
Distributions :		
From income (excluding dividends)		-
From dividends	0.18	0.04
From capital gains	-	-
Return of capital		-
Total annual distributions (2)	0.18	0.04
Net Assets, end of period	\$ 10.65	\$ 10.59

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/unaudited financial statements. The net assets presented in the financial statements differs 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

Class B	June 30, 2010	December 31, 2009
Net Assets, beginning of period (1)	\$ 10.55	\$ 10.00
Increase (decrease) from operations:		
Total revenue	0.40	0.16
Total expenses	(0.30)	(0.11)
Realized gains (losses) for the period	0.26	(0.04)
Unrealized gains (losses) for the period	(0.48)	0.94
Total increase (decrease) from operations (1)	(0.12)	0.95
Distributions :		
From income (excluding dividends)		-
From dividends	0.15	0.04
From capital gains	-	-
Return of capital		-
Total annual distributions ⁽²⁾	0.15	0.04
Net Assets, end of period	\$ 10.65	\$ 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/unaudited financial statements. The net assets presented in the financial statements differs 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

Class F	June 30, 2010	December 31, 2009
Total net asset value (\$ 000's) ⁽¹⁾	19,313	5,761
Number of units outstanding ⁽¹⁾	1,803,222	541,719
Management expense ratio (%) ⁽²⁾	4.68	2.59
Management expense ratio before waivers or absorptions (%)	2.02	5.42
Portfolio turnover rate (%) ⁽³⁾	23.68	3.81
Trading expense ratio (%) ⁽⁴⁾	0.14	0.49
Net asset value per unit (\$)	10.71	10.64

Class B	June 30, 2010	December 31, 2009
Total net asset value (\$ 000's) ⁽¹⁾	31,968	10,338
Number of units outstanding ⁽¹⁾	2,994,549	975,778
Management expense ratio (%) ⁽²⁾	5.25	3.65
Management expense ratio before waivers or absorptions (%)	5.64	6.60
Portfolio turnover rate (%) ⁽³⁾	23.68	3.81
Trading expense ratio (%) ⁽⁴⁾	0.14	0.49
Net asset value per unit (\$)	10.68	10.59

- (1) The information is provided as at June 30 and 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. During the period ended June 30, 2010 the fund incurred management fees of \$232,508.

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:

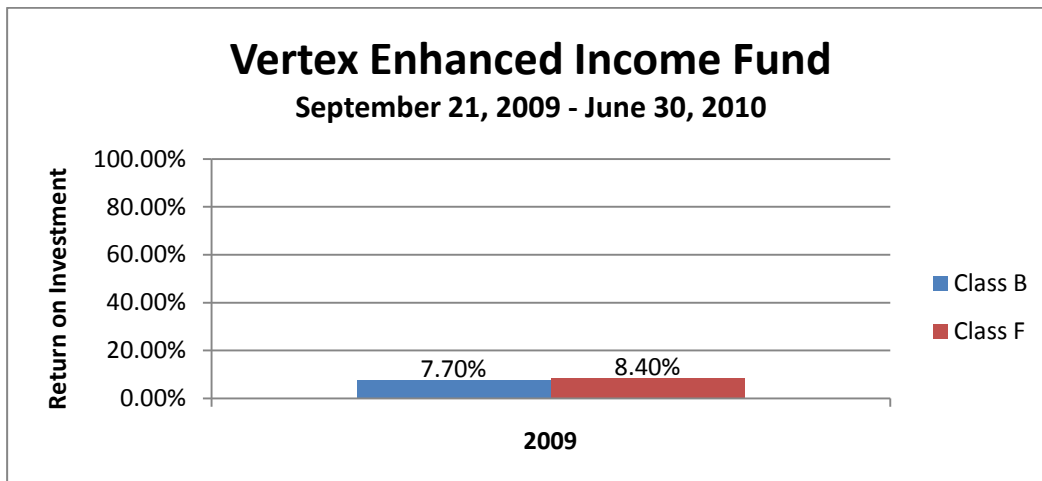
Services Provided	Class B	Class F
Distribution related costs	50%	0%
Portfolio Advisor and Management Services	50%	100%

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 September 30, 2010.

Top 25 Holdings	
Issuers	% of Fund Net Asset Value
Synovus Financial Corp 4.875% 15/02/2013	5.39%
Citigroup Inc.	4.67%
Kingsway America Inc. 7.50% 01/02/2014	4.23%
Dynergy 7.5% 01/06/2015	3.47%
Angiotech Pharmaceuticals Inc. 7.75% 01/06/2015	3.10%
CIT Group Inc. 7.0% 01/05/2016	3.00%

Fibrex Inc. 7.0% 31/12/2011	2.71%
Level 3 Financing Inc. 10.0% 01/02/2018	2.66%
Beazer Homes USA Inc.	2.66%
Wachovia Capital Trust III 5.80% 31/12/2049	2.61%
Bank of Montreal	2.20%
Eastman Kodak Co. 9.75% 01/03/2018	2.16%
Ames True Temper Inc. 10.0% 15/07/2012	2.14%
Ainsworth Lumber Co., Ltd. 11.0% 15/07/2012	2.00%
Zions Bancorporation 6.0% 15/09/2015	1.99%
Western Financial Group Inc.	1.97%
Canadian Imperial Bank of Commerce	1.91%
American Casino & Entertainment Properties LLC 11.0% 15/06/2014	1.87%
Lifetime Brands Inc. 4.75% 15/07/2011	1.80%
Dynegy Holdings Inc. 7.5% 01/06/2015	1.72%
Banco Santander Central Hispano SA	1.69%
C10 Capital SPV Ltd 6.722% 18/12/2030	1.42%
Clearwater Seafoods Income Fund 7.25% 31/03/2014	1.40%
Ciena Corp. 0.875% 15/06/2017	1.36%
Merck & Co., Ltd.	1.35%

The following chart sets out the percentage (based on net asset value) of the Fund’s portfolio as at June 30, 2010.

