

## **VERTEX ENHANCED INCOME FUND**

First Quarter Report, 2012

The Fund returned 0.74% (F Class) for the month of March and for the first quarter of 2012 the fund returned 6.48% (F Class). The distribution for the quarter came in at 1.5% of NAV (F Class), derived from bond interest and dividends earned over the quarter.

The first quarter certainly wasn't without its worries or concerns. For most of the period, Europe dominated the headlines. Nevertheless, the high-yield bond market saw a consistent positive flow of funds, pushing it up accordingly. Bonds provided the majority of positive attribution during the quarter with the whole sector moving up. Skylink Aviation was the only real laggard.

Our common stocks were also up and we collected regular premiums on our covered-call writing strategy. The weekly options continue to show the best 'bang for the buck' and we have been actively moving up our allocation to this strategy as opportunities permit.

On the back of a strong quarter for financials, our preferred portfolio performed well. We have made new additions to this part of portfolio where we see a lot of potential.

This spring continues to show promise for the portfolio. The Royal Bank of Scotland will be turning back on their coupons for the Tier 1 preferred shares we hold, which should provide a nice boost to the portfolio. As we wrote about in a recent "Live From the Desk" email, hybrid securities present a compelling opportunity looking forward. They have an inherent hedge to inflation/deflation concerns due to a high initial coupon which can convert to a floating rate over LIBOR. We anticipate insurance companies and eventually the banks to announce more Liability Management Exercises (LMEs). This will benefit the hybrids we hold as they are repurchased for a premium and/or leverage comes down.

As mentioned before, money flows have been strong into the high-yield space this year. Equally as strong was the issuance of new bonds to soak up the high demand. As a result, we have found no shortage of investment opportunities in good names offering attractive yields.

If the market continues to stabilize, we should see a few equity IPOs emerge from names we hold in our bond portfolio. These events are great for the fund as they help to de-lever a company which is a big lift for bondholders.

We look forward to a great spring!

**PERFORMANCE** (Class F as at March 31, 2012)

<b>Net Asset Value</b>	<b>1 Month</b>	<b>3 Month</b>	<b>1 Year</b>	<b>2 Year*</b>	<b>Total Cumulative</b>
\$10.8401 <sup>†</sup>	0.74%	6.48%	-4.09%	5.02%	25.04%

Distribution: \$0.159836

<sup>†</sup>Post Distribution

\*Annualized

This statistical information is intended to provide you with information about the Vertex Enhanced Income Fund. Important information about the Fund is contained in the Simplified Prospectus which should be read carefully before investing. You can obtain an offering memorandum from Vertex One Asset Management Inc. The Simplified Prospectus for Vertex One Asset Management Inc.'s Investment Funds does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. The funds are not guaranteed; their values change frequently and past performance may not be repeated.