

Vertex Enhanced Income Fund

Semi- Annual Financial Statements
June 30, 2018 (Unaudited)

*These financial statements have not been reviewed by an independent auditor

Vertex Enhanced Income Fund

Statements of Financial Position

As at June 30, 2018 and December 31, 2017

	June 30, 2018 (unaudited)	December 31, 2017
Assets		
Current assets		
Investments	\$ 53,348,521	\$ 77,198,362
Cash	1,697,391	3,334,096
Accrued interest	1,588,566	787,978
Dividends receivable	45,584	53,165
Subscriptions receivable	14,462	60,462
Unrealized gain on spot contracts	-	21,240
Derivative financial instruments		
Forward contracts	368,568	278,397
	<u>57,063,092</u>	<u>81,733,700</u>
Liabilities		
Current liabilities		
Management fees payable (Note 10)	\$ 57,260	\$ 79,402
Redemptions payable	231,715	295,847
Derivative financial instruments		
Forward contracts	-	29,312
Written Options	-	58,781
	<u>288,975</u>	<u>463,342</u>
Net Assets attributable to holders of redeemable units	<u>\$ 56,774,117</u>	<u>\$ 81,270,358</u>
Net Assets attributable to holders of redeemable units per Class		
Class B	\$ 19,688,706	\$ 27,990,775
Class F	<u>\$ 37,085,411</u>	<u>\$ 53,279,583</u>
Net Assets attributable to holders of redeemable units per unit		
Class B	\$ 9.00	\$ 9.38
Class F	<u>\$ 9.11</u>	<u>\$ 9.45</u>

Approved on behalf of the Board of Directors of Vertex One Asset Management Inc., the Investment Manager

"Signed"

John W. Thiessen
Director

"Signed"

Jeffrey McCord
Director

(The accompanying notes are an integral part of the financial statements.)

Vertex Enhanced Income Fund

Statements of Comprehensive Income

For the periods ended June 30 (unaudited)

	2018	2017
Investment income		
Foreign exchange (loss) gain on cash	\$ 28,593	\$ (15,611)
Change in unrealized foreign exchange loss on cash	(2,283)	(60,314)
Net gain (loss) on investments and derivatives		
Dividends	444,667	538,951
Interest for distribution purposes	2,005,647	2,945,438
Net realized loss (gain)	(11,666,281)	6,291,438
Net change in unrealized appreciation (depreciation)	8,890,369	(7,374,890)
Total investment income	<u>(299,288)</u>	<u>2,325,012</u>
Expenses (Note 10)		
Management fees	381,899	590,180
Securityholder reporting costs	113,723	119,562
Other administrative expenses	58,526	52,927
Audit fees	49,154	53,888
Custody fees	9,889	11,123
Legal fees	30,475	18,557
Trustee fees	3,120	2,697
IRC fees	12,117	10,603
Interest expense	114	111
Transaction costs (Note 3)	48,806	36,934
Withholding tax	16,718	8,022
	<u>724,541</u>	<u>904,604</u>
Net investment income	(1,023,829)	1,420,408
Decrease (Increase) in net assets attributable to holders of redeemable units	<u>(1,023,829)</u>	<u>1,420,408</u>
Decrease (Increase) in net assets attributable to holders of redeemable units per Class		
Class B	\$ (351,065)	\$ 635,947
Class F	\$ (672,764)	\$ 784,461
Decrease (Increase) in net assets attributable to holders of redeemable units per Class per unit		
Class B	\$ (0.13)	\$ 0.14
Class F	\$ (0.13)	\$ 0.13

(The accompanying notes are an integral part of the financial statements.)

Vertex Enhanced Income Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the periods ended June 30 (unaudited)

	Class B	
	2018	2017
Net Assets attributable to holders of redeemable units, beginning of period	\$ 27,990,775	\$ 47,726,690
Decrease (Increase) in net assets attributable to holders of redeemable units	(351,065)	635,947
Capital transactions (Note 9)		
Proceeds from issuance of redeemable units	867,756	1,614,932
Redemption of redeemable units	(8,665,667)	(9,265,061)
Reinvestment of distributions to holders of redeemable units	453,525	851,341
	(7,344,386)	(6,798,788)
Distributions to holders of redeemable units (Note 3)		
From net investment income	(606,618)	(1,096,686)
	(606,618)	(1,096,686)
Net Assets attributable to holders of redeemable units, end of period	\$ 19,688,706	\$ 40,467,163

	Class F		Total	
	2018	2017	2018	2017
Net Assets attributable to holders of redeemable units, beginning of period	\$ 53,279,583	\$ 54,685,392	\$ 81,270,358	\$ 102,412,082
Increase (decrease) in net assets attributable to holders of redeemable units	(672,764)	784,461	(1,023,829)	1,420,408
Capital transactions (Note 9)				
Proceeds from issuance of redeemable units	2,606,872	11,304,837	3,474,628	12,919,769
Redemption of redeemable units	(17,867,231)	(8,420,800)	(26,532,898)	(17,685,861)
Reinvestment of distributions to holders of redeemable units	926,245	1,159,824	1,379,770	2,011,165
	(14,334,114)	4,043,861	(21,678,500)	(2,754,927)
Distributions to holders of redeemable units (Note 3)				
From net investment income	(1,187,294)	(1,509,474)	(1,793,912)	(2,606,160)
	(1,187,294)	(1,509,474)	(1,793,912)	(2,606,160)
Net Assets attributable to holders of redeemable units, end of period	\$ 37,085,411	\$ 58,004,240	\$ 56,774,117	\$ 98,471,403

(The accompanying notes are an integral part of the financial statements.)

Vertex Enhanced Income Fund

Statements of Cash Flows

For the periods ended June 30 (unaudited)

	2018	2017
Operating activities		
Decrease (Increase) in net assets attributable to holders of redeemable units	\$ (1,023,829)	\$ 1,420,408
Adjustment for non-cash items:		
Net change in unrealized (appreciation) depreciation on investments and derivatives	(8,869,129)	7,374,890
Net realized loss (gain) on investments and derivatives	11,666,281	(6,291,438)
Change in unrealized foreign exchange (gain) loss on cash	2,283	60,314
	<u>1,775,606</u>	<u>2,564,174</u>
Changes in operating assets and liabilities:		
Increase (decrease) in accrued interest	(800,588)	222,753
Decrease in dividends receivable	7,581	7,555
Decrease in management fee payable	(22,142)	(37,799)
	<u>(815,149)</u>	<u>192,509</u>
Proceeds on disposition of investments and derivatives, including proceeds received on shorts	39,906,561	47,315,891
Purchase of investments and derivatives, including cover for shorts	(19,010,896)	(42,433,960)
	<u>20,895,665</u>	<u>4,881,931</u>
Net cash from operating activities	<u>21,856,122</u>	<u>7,638,614</u>
Financing activities		
Proceeds from issuance of redeemable units**	2,495,667	11,468,431
Redemption of redeemable units**	(25,572,069)	(15,860,948)
Distributions paid net of reinvestments	(414,142)	(594,995)
Net cash provided to financing activities	<u>(23,490,544)</u>	<u>(4,987,512)</u>
Decrease (Increase) in Cash	(1,634,422)	2,651,102
Change in unrealized foreign exchange (gain) loss on cash	(2,283)	(60,314)
Cash, Beginning of period	<u>3,334,096</u>	<u>423,862</u>
Cash, End of period	<u>\$ 1,697,391</u>	<u>\$ 3,014,650</u>
Supplemental Information (included in operating activities)		
Cash paid for interest	114	111
Cash received from interest, net of withholding taxes	1,205,059	3,168,191
Cash received from dividends, net of withholding taxes	435,530	538,484

** The amounts of proceeds and redemptions exclude non cash items such as switches and exchanges between classes for June 30, 2018 amounting to \$1,024,961 (June 30, 2017 - \$1,401,870)

(The accompanying notes are an integral part of the financial statements.)

Vertex Enhanced Income Fund

Schedule of Investments Portfolio

As at June 30, 2018 (Unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
BONDS						
Corporate Bonds						
2,533,572	1784761 Alberta Ltd.	12.000%	1-Aug-19	2,533,572	-	
1,683,197	Agawa Investments Ltd.	10.000%	7-Aug-25	1,683,197	1,524,977	
800,000	Concordia Healthcare Corp., Callable	7.000%	15-Apr-23	193,614	65,733	
111,734	Devalco Residential Properties Corp.	7.000%	31-Jul-19	115,103	146,891	
750,000	Core Gold Inc.	12.000%	15-Sep-18	900,681	729,631	
500,000	Element Fleet Management Corp., Convertible, Callable	5.125%	30-Jun-19	481,500	495,000	
250,000	Energold Drilling Corp., Series 'B', Floating Rate, Convertible	9.500%	14-Jun-22	250,000	210,550	
900,000	ERD Express Financial Services Inc., Variable Rate	12.000%	1-Nov-19	900,000	900,000	
135,416	Estrella International Energy Services Ltd.	4.000%	31-Dec-18	135,416	20,312	
48,000	Flow Capital Corp., Convertible, Callable	8.000%	31-Dec-19	37,250	38,400	
150,000	Genalta Power Inc.	11.000%	31-Jul-18	150,000	82,005	
900,000	Golf Town Canada Inc. / Golfsmith International Holdings Inc., Callable	10.500%	24-Jul-18	910,125	273,527	
1,275,000	Imperial Metals Corp., Callable	7.000%	15-Mar-19	1,354,765	1,500,180	
244	Sherritt International Corp., Callable	7.500%	24-Sep-23	244	224	
100,000	Source Energy Services Canada L.P.	10.500%	15-Dec-21	105,750	108,750	
450,000	Southern Pacific Resource Corp., Callable	8.750%	25-Jan-28	450,000	1,575	
450,000	Stormway Diamond Corp., Convertible	6.250%	8-Jul-21	460,750	541,071	
900,000	Taseko Mines Ltd., Callable	8.750%	15-Jun-22	1,197,593	1,209,807	
450,000	Terrace Energy Corp., Zero Coupon, Convertible	0.000%	2-Apr-21	450,000	9,000	
1,337,500	Tgc Lending Inc.	6.000%	31-May-20	1,337,500	1,086,318	
	Total Corporate Bonds			13,647,060	8,943,951	15.76
Foreign Bonds						
Bermuda						
2,500,000	Seadrill Ltd.	5.630%	15-Sep-17	1,346,432	492,994	
	Total Bermuda			1,346,432	492,994	0.87
Cayman Islands						
1,000,000	Seagate HDD Cayman, Callable	4.250%	1-Mar-22	1,238,044	1,297,935	
	Total Cayman Islands			1,238,044	1,297,935	2.29
United Kingdom						
500,000	HSBC Bank PLC, Series '1M', Variable Rate, Perpetual	2.125%	29-Jun-18	402,456	507,667	
500,000	Lloyds Bank PLC, Perpetual, Variable Rate, Callable	12.000%	16-Dec-24	868,452	807,283	
500,000	National Westminster Bank PLC, Series 'B', Perpetual, Floating Rate, Callable	2.500%	29-Aug-49	323,261	537,363	
1,000,000	Royal Bank of Scotland Group PLC (The), Series 'U', Floating Rate, Perpetual	4.662%	30-Sep-27	1,241,472	1,263,707	
	Total United Kingdom			2,835,641	3,116,020	5.49
United States of America						
500,000	Alliance One International Inc., Callable	9.875%	15-Jul-21	578,904	602,274	
569,630	AM Castle & Co., Payment-In-Kind, Convertible	5.000%	31-Aug-22	636,974	687,083	
737,764	Ambac Assurance Corp.	5.100%	7-Jun-20	1,208,638	1,282,695	
850,000	American Energy Permian Holdings LLC, Callable	8.000%	15-Jun-20	1,139,534	1,111,865	
1,000,000	CenterPoint Energy Inc., Variable Rate, Convertible, Callable	3.399%	15-Sep-29	579,957	556,261	
1,352,300	Catalyst Paper Corp., Term Loan	12.000%	31-Oct-21	1,548,455	1,066,680	
500,000	Chesapeake Energy Corp., Convertible, Callable	5.500%	15-Sep-26	699,310	669,673	
1,000,000	CNG Holdings Inc., Callable	9.375%	15-May-20	1,016,829	1,311,363	
78,766	Colt Defense LLC, Term Loan	8.000%	11-Jan-21	67,895	13,461	
79,372	Colt Defense LLC, Term Loan	10.000%	11-Jan-21	99,740	54,782	
500,000	Dynasty Metals & Mining Inc., Convertible	12.000%	15-Sep-18	600,454	562,473	
415,000	GSV Capital Corp., Convertible	4.750%	28-Mar-23	536,296	525,830	
750,000	Harland Clarke Holdings Corp., Callable	9.250%	1-Mar-21	847,478	951,478	
500,000	Hecla Mining Co., Callable	6.875%	1-May-21	546,960	666,340	
1,600,000	Hornbeck Offshore Services Inc., Callable	5.875%	1-Apr-20	1,393,720	1,577,580	
1,000,000	ILFC E-Capital Trust II, Variable Rate, Callable	4.820%	21-Dec-65	1,045,579	1,222,625	
327,289	Interactive Network Inc. / FriendFinder Networks Inc	14.000%	20-Dec-18	392,311	258,163	
500,000	Momentive Performance Materials Inc., Callable	8.875%	15-Oct-20	-	-	
400,000	Nuance Communications Inc., Convertible, Callable	1.500%	1-Nov-35	501,972	508,020	
1,000,000	Pattern Energy Group Inc., Convertible	4.000%	15-Jul-20	1,223,887	1,314,593	
2,000,000	Quicksilver Resources Inc., Callable	11.000%	1-Jul-21	2,294,008	65,733	
15,000	RAAM Global Energy Co., (In Default)	12.500%	1-Apr-17	16,642	394	
500,000	Resolute Forest Products Inc., Callable	5.875%	15-May-23	553,643	668,007	
500,000	Rite Aid Corp., Callable	6.125%	1-Apr-23	621,342	667,349	
500,000	SEACOR Holdings Inc., Convertible, Puttable, Callable	3.000%	15-Nov-28	557,634	645,258	
500,000	Stone Energy Corp., Callable	7.500%	31-May-22	663,647	673,758	
450,000	Synchronoss Technologies Inc., Convertible	0.750%	15-Aug-19	534,269	556,120	
1,000,000	Textron Financial Corp., Variable Rate, Callable	4.078%	15-Feb-67	1,117,566	1,199,618	
500,000	Theravance Inc., Convertible	2.125%	15-Jan-23	630,539	640,179	
500,000	USB Realty Corp., Variable Rate, Perpetual	3.486%	15-Jan-22	500,135	597,344	
500,000	Valeant Pharmaceuticals International Inc., Callable	6.750%	15-Aug-21	615,997	664,720	
50,000	Vishay Intertechnology Inc., Convertible, Callable	2.250%	15-Nov-40	55,945	120,233	
800,000	Voya Financial Inc., Variable Rate, Callable	5.650%	15-May-53	847,036	1,059,608	
	Total United States of America			23,673,296	22,501,560	39.64
	Total Foreign Bonds			29,093,413	27,408,509	48.29
	TOTAL BONDS			42,740,473	36,352,460	64.05

Vertex Enhanced Income Fund

Schedule of Investments Portfolio

As at June 30, 2018 (Unaudited) (continued)

Number of Shares/ Par Value	Description	Average Cost \$	Fair Value \$	% of Total
STOCKS				
ENERGY				
33,300	Bonterra Energy Corp.	517,079	568,764	
36,000	Canadian International Oil Corp., Warrants	-	17,280	
30,000	Cardinal Energy Ltd.	168,750	165,900	
46,875	Genalta Power Inc., Warrants, (05Apr19)	-	-	
344,900	Surge Energy Inc.	759,029	820,862	
116,300	TORC Oil & Gas Ltd.	845,910	853,642	
	TOTAL ENERGY	2,290,768	2,426,448	4.27
MATERIALS				
6,356	A. M. Castle & Co.	8	36,766	
2,278,124	Catalyst Paper Corp.	1,018,981	545,383	
23,400	Community Vehicle Financing & Leasing Inc., Preferred, Series 'I'	2,049,148	1,889,549	
153	Community Vehicle Financing & Leasing Inc.	8	2	
3,761,220	Core Gold Inc.	1,058,738	1,241,203	
1,200,000	Core Gold Inc., Warrants, (15Sep18)	-	216,000	
300,000	Core Gold Inc., Warrants, (15Sep18)	-	54,000	
1,880,610	Core Gold Inc., Warrants, (01Feb2018)	-	-	
50,000	Energold Drilling Corp., Warrants, (14Jun22)	-	-	
22,100	Rio Tinto PLC, ADR	1,587,260	1,611,903	
698	Rubix Lending Co. Inc., Class 'B'	7	7	
16,865	Sherritt International Corp., Warrant, (29Jul21)	-	7,758	
24,663	SunCoke Energy Partners L.P.	567,112	486,348	
	TOTAL MATERIALS	6,281,262	6,088,919	10.73
INDUSTRIAL				
107,500	CanWel Building Materials Group Ltd.	650,688	739,600	
6,737	Colt Defense LLC, Restricted, Class 'A'	35,645	35,427	
12,160	Colt Defense LLC, Restricted, Class 'B'	10,053	15,986	
56,650	General Electric Co.	984,968	1,013,603	
1,410	Jack Cooper Enterprises Inc.	18	3,429	
	TOTAL INDUSTRIAL	1,681,372	1,808,045	3.18
CONSUMER DISCRETIONARY				
20,691	Affinion Group Holdings Inc.	568,961	415,502	
	TOTAL CONSUMER DISCRETIONARY	568,961	415,502	0.73
CONSUMER STAPLES				
45,000	Electronic Cigarettes International Group Ltd., Warrants, (28Feb19)	-	-	
900	S&W Seed Co.	4,826	3,845	
200,000	S&W Seed Co., Warrants, (30Jun20)	-	76,250	
	TOTAL CONSUMER STAPLES	4,826	80,095	0.14
FINANCIALS				
47,035	Banco Santander SA, ADR	413,343	330,197	
18,047	Canadian Western Bank	633,004	625,329	
21,500	CI Financial Corp.	565,245	508,045	
4,008	Jack Cooper Enterprises Inc., Warrants, (26Apr27)	-	9,748	
16,816	Popular Inc., 8.25%, Preferred, Series 'B', Perpetual	452,826	563,732	
2,110,000	Pres Initial Capital Aggregator LLC	896,945	277,391	
349,023	Pres Initial Capital Aggregator LLC, Warrants, (01May22)	-	-	
85,175	True North Commercial REIT	485,438	566,414	
400	Wells Fargo & Co., 7.50%, Preferred, Class 'A', Series 'L', Convertible	639,449	662,300	
	TOTAL FINANCIALS	4,086,250	3,543,156	6.24
HEALTH CARE				
4,623	Gilead Sciences Inc.	438,982	430,539	
	TOTAL HEALTH CARE	438,982	430,539	0.76
INFORMATION TECHNOLOGY				
22,500	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	361,724	444,375	
	TOTAL INFORMATION TECHNOLOGY	361,724	444,375	0.78
TELECOMMUNICATION SERVICES				
20,000	CenturyLink Inc.	465,867	490,102	
	TOTAL TELECOMMUNICATION SERVICES	465,867	490,102	0.86

Vertex Enhanced Income Fund

Schedule of Investments Portfolio

As at June 30, 2018 (Unaudited) (continued)

Number of Shares/ Par Value	Description	Average Cost \$	Fair Value \$	% of Total
UTILITIES				
40,800	Atlantic Power Preferred Equity Ltd., Preferred, Series '2', Variable Rate, Perpetual	620,254	734,400	
786,000	Stream Asset Financial L.P.	786,000	534,480	
	TOTAL UTILITIES	1,406,254	1,268,880	2.23
	TOTAL STOCKS	17,586,266	16,996,061	29.92
	TOTAL INVESTMENTS	60,326,739	53,348,521	93.97
FORWARD CONTRACTS				
	Buy CAD 9,277,373, Sell USD 7,000,000 @1.32534 - July 06, 2018	-	75,150	
	Buy CAD 3,992,427, Sell USD 3,000,000 @1.33081- July 10, 2018	-	48,897	
	Buy CAD 2,657,420, Sell USD 2,000,000 @1.32871 - July 11, 2018	-	28,447	
	Buy CAD 10,622,584, Sell USD 8,000,000 @1.32782 - July 12, 2018	-	106,877	
	Buy CAD 10,624,904, Sell USD 8,000,000 @1.32811 - July 12, 2018	-	109,197	
	Total Unrealized gain on forward contracts	-	368,568	0.65
	TOTAL NET INVESTMENTS BEFORE TRANSACTION COSTS	60,326,739	53,717,089	94.62
	Transaction Costs (Note 2)	(49,348)		
	TOTAL NET INVESTMENTS	60,277,391	53,717,089	94.62
	CASH		1,697,391	2.99
	OTHER ASSETS, LESS LIABILITIES		1,359,637	2.39
	TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	60,277,391	56,774,117	100.00

*Denotes manually priced securities using a fair valuation model

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

1. Establishment of the Fund

The Vertex Enhanced Income Fund (the "Fund") was created on September 14, 2009 under the laws of British Columbia. The address of the Fund's registered office is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, BC, V7X 1T2. Vertex One Asset Management Inc. is the Manager and CIBC Mellon 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 level of income by investing primarily in Canadian and United States bonds and debentures. The Fund's secondary objective is to provide capital growth.

2. Basis of presentation and adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss.

The interim financial statements were authorized for issue by the Manager on August 21, 2018.

3. Significant accounting policies

Financial assets and financial liabilities at fair value through profit or loss

a) Classification

The classification of a financial instrument depends upon its characteristics as well as the purpose for which it was acquired. This initial classification is not subsequently changed except in very limited circumstances.

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9, Financial Instruments ("IFRS 9"). Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL").

The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs related to financial instruments at FVTPL are expensed as incurred in the Statements of Comprehensive Income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income within net realized gain (loss) on investments and derivatives.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income within changes in unrealized appreciation (depreciation) in value of investments and derivatives in the period in which they arise.

All other financial assets and liabilities are measured at amortized cost due to their short term nature.

c) Revenue Recognition

Dividend income from financial assets at fair value through profit or loss is recognized in the Statements of Comprehensive Income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the Statements of Comprehensive Income as interest income for distribution purposes which represents the coupon interest on debt instruments held by the Fund determined on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized. Net realized gain (loss) and net change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in profit or loss as an expense.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial statement purposes, investments traded on a recognized exchange, are recorded at fair value, established by last traded market price where the last traded market price falls within the day's bid ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

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.

Warrants if listed on a recognized exchange are valued at the latest available close price. If the warrants are not listed, but a secondary market exists then the independent broker prices (if available), who trade in such market will be used. If no secondary market exists, the warrants will be valued using the Black Scholes option pricing model.

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The value of any security or property for which, in the opinion of the Manager the published market quotations are not readily available shall be the fair value as determined by the 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 comparisons with prices of comparable or similar securities, discounted cash flow analysis, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indicators 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 been 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.

Cash

Cash is comprised of cash on deposit.

Forward contracts

The Fund enters into forward contracts to manage risk or to achieve desired returns. Gains or losses are realized based on the settlement term of the forward contracts. These forward contracts are valued based on the difference between the contract rate and the current market prices for the underlying asset, adjusted to reflect credit risk and other relevant factors as applicable. The unrealized gain or loss is reflected in the Statements of Financial Position as Forward contracts.

Options

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Schedule of Investments. Exchange traded options are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In cases where the last traded price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Over the counter options are valued using industry-accepted modeling techniques on each valuation day. Unlisted options are valued using the Black Scholes model.

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 – for put options, realized gains will arise up to the intrinsic value of the option net of premiums paid and for call options, the premium will be added to the cost base of the security purchased; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling the 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;

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- ii) Exercise of the written options – for call option, 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 and for put option, the premium will be deducted from the cost base of the security purchased; 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 “Net realized gain (loss) on investments and derivatives” in the Statements of Comprehensive Income.

Foreign currency translation

The Fund’s subscriptions and redemptions are denominated in Canadian dollars which is also its functional and presentation currency. Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year 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. Foreign exchange gains and losses relating to cash are presented as ‘foreign exchange gain (loss) on cash’ and those related to investments and derivatives are included in ‘net realized gain (loss) on investments and derivatives’ and ‘change in unrealized (depreciation) appreciation in value investments and derivatives’.

Securities lending

The Fund engages in securities lending transactions. The Fund will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of securities guaranteed by the Government of Canada or a province or territory of Canada, or by other governments with appropriate credit ratings, or by financial institutions, but may include commercial paper with an approved credit rating and or convertible securities. As at June 30, 2018, the aggregate dollar value of portfolio securities lent was \$nil government debt securities (December 31, 2017 - \$nil). As at June 30, 2018, the collateral held under securities transactions was \$nil government debt securities (December 31, 2017 - \$nil) respectively. Income earned from securities lending is included in securities lending income in the Statements of Comprehensive Income. There were no income earned from securities lending during the years ended December 31, 2017 and December 31, 2016.

Increase (decrease) in net assets attributable to holders of redeemable units for each Class

Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the year per class, divided by the weighted average units outstanding during the year for that class.

Net Assets attributable to holders of redeemable units and related per unit amounts

The Fund issues two classes of redeemable units, which are redeemable at the holder’s option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund’s net asset value attributable to the unit class. Units are redeemable daily. The redeemable units are carried at the

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redemption amount that is payable at the Statements of Financial Position date if the holder exercises the right to put the unit back to the Fund. Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class. Investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit (NAV) for transactions with unitholders. As at June 30, 2018 and December 31, 2017, there were no differences between the Fund's net asset value per security and its net assets per security calculated in accordance with IFRS.

A separate NAV is calculated for each Class of units of the Fund by taking the Class' proportionate share of the Fund's common assets less that Class' proportionate share of the Fund's common liabilities and deducting from this amount all liabilities that relate solely to a specific Class. The NAV per unit for each Class is determined by dividing the NAV of each Class by the number of units of that Class outstanding on the valuation date.

Classification of redeemable units issued by the Fund

Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS32 for classification as equity and therefore, have been classified as financial liabilities.

Taxation

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund has determined that it is in substance not taxable and therefore does not record income taxes in the Statements of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statements of Financial Position. As at December 31, 2017, the Fund had \$29,894,245 (December 31, 2016 - \$33,572,454) of unused capital losses which have no expiry and \$nil (December 31, 2016 - \$nil) of non-capital losses.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

4. Future Accounting Change

IFRS 9, Financial Instruments

Effective January 1, 2018, the Fund adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be carried at amortized cost or fair value, with changes in fair value recognized in fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgement.

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Upon transition to IFRS 9, the Fund's financial assets and financial liabilities were classified as FVTPL. This classification differs from the classification under the previous IAS 39, therefore there were changes in categorization of certain financial assets and financial liabilities upon transition to IFRS 9. Effective January 1, 2018, all financial assets that had previously been designated as FVTPL and all financial assets and liabilities that were previously classified as financial assets and financial liabilities at amortized cost were reclassified as FVTPL. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments and were classified as FVTPL remain unchanged upon transition to IFRS 9.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments in applying its accounting policies and to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 6 for more information on the fair value measurement of the Fund's financial statements.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

6. Fair value disclosure

The Fund classifies fair value measurements within a 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.

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Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3- unobservable inputs for the asset or liability.

The Fund's financial instruments which are recorded at fair value have been categorized based upon this fair value hierarchy. The following fair value hierarchy table presents information about the Fund's financial instruments measured at fair value as at June 30, 2018 and December 31, 2017.

Financial Assets at fair value as at June 30, 2018				
	Level 1	Level 2	Level 3	Total
Equities - long	\$ 13,313,370	\$ -	\$ 3,301,655	\$ 16,615,025
Bonds - long	-	29,956,891	6,395,569	36,352,460
Warrants	-	354,008	27,028	381,036
Forward contracts - long	-	368,568	-	368,568
	<u>\$ 13,313,370</u>	<u>\$ 30,679,467</u>	<u>\$ 9,724,252</u>	<u>\$ 53,717,089</u>

Financial Assets at fair value as at December 31, 2017				
	Level 1	Level 2	Level 3	Total
Equities - long	\$ 2,225,034	\$ 284,535	\$ 3,923,909	\$ 6,433,478
Bonds - long	-	44,623,985	7,114,098	51,738,083
Warrants	3	320,894	30,914	351,811
Forward contracts - long	-	278,397	-	278,397
	<u>\$ 2,225,037</u>	<u>\$ 45,507,811</u>	<u>\$ 11,068,921</u>	<u>\$ 58,801,769</u>

Financial Liabilities at fair value as at December 31, 2017				
	Level 1	Level 2	Level 3	Total
Forward contracts - short	\$ -	\$ (29,312)	\$ -	\$ (29,312)
Options - short	(58,781)			(58,781)
	<u>\$ (58,781)</u>	<u>\$ (29,312)</u>	<u>\$ -</u>	<u>\$ (88,093)</u>

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Likewise, if an investment classified as Level 2 or Level 3, subsequently becomes actively traded and/or have a quoted price available, it is transferred into Level 1. The Fund uses the following techniques to determine the Level 2 fair value measurements:

Equities - The fair value of equities are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability directly or indirectly. This includes transaction prices in markets that are not active for identical instruments, quoted prices in markets for similar, but not identical, instruments and transaction prices in markets that are not active for similar, but not identical, instruments.

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Bonds - The fair value of bonds are determined by obtaining the quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data. In addition, the Fund also values these instruments using the net present value of estimated future cash flows.

Forward contracts - The fair value of forward foreign exchange contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present value.

Options and other over-the-counter derivatives - Options and other over-the-counter derivatives are classified as level 1 when they are exchange traded and prices are readily available on the market. Where they are not traded, the Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for these non-standardized financial instruments such as options and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Where the inputs are observable, the options and other over-the-counter derivatives are classified into level 2. Where the inputs are not observable, they are classified into level 3.

Warrants - The fair value of warrants are valued using the Black Scholes options pricing model. The warrants are classified as Level 2 where the underlying security is listed and the other inputs are observable.

Level 3 fair value measurements and sensitivity analysis

Equities

Equities classified within Level 3 with fair value at June 30, 2018 of \$3,246,804, (December 31, 2017 - \$2,264,783) and consists of private equity positions. The Fund utilizes comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortization (EBITDA). The trading multiple is then discounted for consideration such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances. In addition, Level 3 equities will be valued at quotations supplied by third party broker dealers and other pricing vendors. The Manager does not alter the broker quotes as the quotes are obtained from accredited brokers. However, the quotes as well as the brokers are monitored periodically to make sure for quotes are representative of fair market values.

Bonds

Bonds classified within Level 3 with fair value at June 30, 2018 of \$6,309,525, (December 31, 2017 - \$5,823,604) consists of corporate bonds. The Fund values these instruments using the net debt to EBITDA. The Fund considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

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Warrants

Warrants classified within Level 3 with fair value June 30, 2018 of \$27,028, (December 31, 2017 - \$30,914) have significant unobservable inputs, as the underlying securities trade infrequently or are privately held. As observable prices are not available for the underlying securities, the Manager uses Black Scholes as a valuation technique to derive the fair value of the underlying securities.

The following table presents the sensitivity analysis for level 3 securities with significant unobservable inputs as at June 30, 2018 and December 31, 2017

Description	Fair Value at June 30, 2018	Valuation Techniques		Unobservable Inputs	Weighted average input	Reasonably possible shift +/-= (absolute value)	Change in the valuation (+/-)
Equities:	\$3,246,804	Comparable trading multiples		Enterprise Values to EBITDA	11.7	1	+/- \$148,471
		Per Flowing Barrel		Per Flowing Barrel Multiple	48,000	1	+/- \$28,875
Debt Securities	\$6,309,525	Net debt to EBITDA		Net debt to EBITDA	7.1	1	+/- \$553,470
		Discount		Discount	8%	2%	+/- \$41,027
		Per Acre		Per Acre Multiple	275	10	+/- \$50,000
Warrants	\$27,028	Black Scholes		Volatility	30 Vol	1 Vol	+/- \$380

Description	Fair Value at December 31, 2017	Valuation Techniques		Unobservable Inputs	Weighted average input	Reasonably possible shift +/-= (absolute value)	Change in the valuation (+/-)
Equities:	\$2,264,783	Comparable trading multiples		Enterprise Values to EBITDA	11.7	1	+/- \$192,320
		Per Flowing Barrel		Per Flowing Barrel Multiple	48,000	1	+/- \$48,374
Debt Securities	\$5,823,604	Net debt to EBITDA		Net debt to EBITDA	7.1	1	+/- \$626,557
		Discount		Discount	8%	2%	+/- \$21,024
		Per Acre		Per Acre Multiple	275	10	+/- \$50,000
Warrants	\$30,914	Black Scholes		Volatility	30 Vol	1 Vol	+/- \$393

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in

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EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in the cost of capital and profitability of default would both lead to a decrease in the estimated value. For investments that use broker quotes, grey markets and cost, there will be no effect on its estimated value.

Reconciliation of Level 3 fair value measurements

The following is a reconciliation of Level 3 fair value measurements from December 31, 2017 to June 30, 2018:

	Fair value measurements using level 3 inputs			
	Warrants	Equities - long	Bonds - long	Total
Balance at December 31, 2017	30,914	3,923,909	7,114,098	11,068,921
Sales	-	-	(1,165,785)	(1,165,785)
Purchases	-	-	59,952	59,952
Gains (Losses)				
Realized	-	-	141,914	141,914
Unrealized	(3,886)	(622,254)	245,390	(380,750)
Balance at June 30, 2018	\$ 27,028	\$ 3,301,655	\$ 6,395,569	\$ 9,724,252
Total change in unrealized gain (loss) during the year for assets held at June 30, 2018	\$ (3,886)	\$ (622,254)	\$ (42,503)	\$ (668,643)

The following is a reconciliation of Level 3 fair value measurements from December 31, 2016 to December 31, 2017:

	Fair value measurements using level 3 inputs			
	Warrants	Equities - long	Bonds - long	Total
Balance at December 31, 2016	\$ 489,494	\$ 639,932	\$ 10,770,648	\$ 11,900,074
Sales	-	(7)	(3,444,262)	(3,444,269)
Purchases	-	3,965,081	1,488,503	5,453,584
Transfers in	-	-	250,000	250,000
Transfers out	(407,893)	-	(471,582)	(879,475)
Gains (Losses)				
Realized	-	(15)	(271,626)	(271,641)
Unrealized	(50,687)	(681,082)	(1,207,583)	(1,939,352)
Balance at December 31, 2017	\$ 30,914	\$ 3,923,909	\$ 7,114,098	\$ 11,068,921
Total change in unrealized gain (loss) during the year for assets held at December 31, 2017	\$ (49,710)	\$ (681,102)	\$ (1,498,884)	\$ (2,229,696)

During the period ended June 30, 2018, the Fund reclassified a bond from Level 3 to Level 1 as one security carried out a private placement and recapitalization transaction and the external price became observable.

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There were no transfers between Levels 1 and 2 for assets and liabilities held at June 30, 2018:

The following were the transfers between Levels 1 and 2 for assets and liabilities held at December 31, 2017:

	Transfer from level 1 to level 2	Transfer from level 2 to level 1
	December 31, 2017	December 31, 2017
Equities - Long	\$ -	\$ 277,477

7. Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at June 30, 2018 and December 31, 2017, and shows in the 'Net' column what the net impact would be on the Fund's Statements of Financial Position if all set-off rights were exercised.

Financial Assets and Liabilities as at June 30, 2018	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Received (Pledged)	
Derivative assets	368,568	-	368,568	-	-	368,568
Derivative liabilities	-	-	-	-	-	-
Total	368,568	-	368,568	-	-	368,568

Financial Assets and Liabilities as at December 31, 2017	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Received (Pledged)	
Derivative assets	278,397	-	278,397	(29,312)	-	249,085
Derivative liabilities	(29,312)	-	(29,312)	29,312	-	-
Total	249,085	-	249,085	-	-	249,085

8. Investment Entity

The fund has determined that it meets the definition of an "investment entity" and as a result, it measures subsidiaries, if any, at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purposes of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgement that the Fund has made in determining that it meets this definition is that fair value is the primary

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measurement attribute used to measure and evaluate the performance of substantially all of its investments.

9. Redeemable units

Redeemable units transactions include amounts representing unit subscriptions, unit redemptions, undistributed net income, undistributed realized gains (losses) on sale of investments and derivatives and unrealized appreciation (depreciation) in value of investments and derivatives. Units are redeemable daily. 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 note 12, 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 redeemable units during the period:

	June 30, 2018		June 30, 2017	
	Class B	Class F	Class B	Class F
Units-Beginning of period	2,985,253	5,640,943	4,993,155	5,725,384
Redeemable Units issued	94,461	278,549	165,990	1,159,911
Redeemable Units reinvested	49,181	99,453	87,937	119,640
Redeemable Units redeemed	(942,173)	(1,946,566)	(953,806)	(871,416)
Units-End of period	2,186,722	4,072,379	4,293,276	6,133,519

Certain directors and/or related parties of the Fund held 1.96% of the Fund units at June 30, 2018 (December 31, 2017 – 1.39%).

10. Fees and expenses

a) *Management fees*

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

Class B: 1/365 of 1.5% (1.5% per annum) of the NAV of the Class B Units on the preceding business day plus applicable taxes.

Class F: 1/365 of 0.75% (0.75% per annum) of the NAV of the Class F Units on the preceding business day plus applicable taxes.

The management fees incurred for the period ended June 30, 2018 were \$381,899 (June 30, 2017-\$590,180) of which \$57,260 (December 31, 2017 – \$79,402) were outstanding as at period end.

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b) Performance fees

Each class of Units will pay to Vertex One, the Manager, a performance fee, plus applicable taxes that is equal to 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease of the following benchmarks having the following components, for the period since the performance fee was last paid.

- 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 – DEX Mid Term Total Return Bond Index (formerly, the 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 the Fund relative to its benchmark has exceeded the amount of the deficiency.

The performance fees incurred for the period ended June 30, 2018 were \$nil (June 30, 2017 - \$nil) of which \$nil (December 31, 2017 – \$nil) were outstanding as at period end. The Manager has reserved the right to change the period for which any performance fee may be paid by the Fund to the Manager.

c) Other fees and expenses

The Fund is responsible for the payment of all fees and expenses relating to its operation, including the fees and expenses of the recordkeeper, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of units, providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the Fund).

At the discretion of the Manager, there were no expenses absorbed during the period ended June 30, 2018 and December 31, 2017.

11. Soft dollar commissions

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the Manager. There were \$9,891 (June 30, 2017 - \$4,449) soft dollar commissions paid during the period.

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12. Financial Risk Management

The Fund's financial instruments consist of investments, cash, accrued interest and dividends receivable, subscriptions receivable, other assets/liabilities, accrued management fees, accounts payable and accrued liabilities, due to/from broker and redemptions payable. 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 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 risks include market risk (including other price risk, interest rate 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 other price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

As of June 30, 2018, if the market price of the Fund's net equity position and option investments had increased or decreased by 5%, with all other variables held constant, this would have approximately increased or decreased net assets by \$849,803 (December 31, 2017 – \$1,270,075). Actual results may differ from this sensitivity analysis and those results could be material.

(b) Interest rate risk

As at June 30, 2018, 64.05% (December 31, 2017 – 63.67%) of the Fund's investment portfolio consists of interest bearing Canadian corporate bonds and foreign 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 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	Total
As at June 30, 2018				
Financial Assets				
Bonds*	\$ 4,923,921	\$ 21,313,690	\$ 10,114,849	\$ 36,352,460

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

	Less than 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2017				
Financial Assets				
Bonds*	\$ 5,922,430	\$ 26,997,167	\$ 18,818,486	\$ 51,738,083

* The amount of bonds is net of short securities, if any

At June 30, 2018, 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 \$272,664 (December 31, 2017 - \$453,676). 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 net investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. 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 and cash flows associated with the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's manager reviews 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 currency risk reflects the net impact after taking into consideration the forward contracts. Actual results may differ from this sensitivity analysis and those results could be material. As at June 30, 2018 and December 31, 2017, if the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant the decrease or increase respectively in net assets would approximately amount to values as disclosed in the table below:

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

As at June 30, 2018

	Monetary exposure	Non-monetary exposure *	Assets Hedged by forward contracts	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	\$ 34,254,494	\$ 6,463,068	\$ (36,806,140)	\$ 3,911,422	6.89%	\$ 195,571
Total	\$ 34,254,494	\$ 6,463,068	\$ (36,806,140)	\$ 3,911,422	6.89%	\$ 195,571

As at December 31, 2017

	Monetary exposure	Non-monetary exposure *	Assets Hedged by forward contracts	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	\$ 48,189,827	\$ 38,559,519	\$ (89,118,332)	\$ (2,368,986)	-2.91%	\$ (118,449)
Total	\$ 48,189,827	\$ 38,559,519	\$ (89,118,332)	\$ (2,368,986)	-2.91%	\$ (118,449)

* The non-monetary exposure is net of short securities, if any.

(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 corporate bonds, and derivative contracts. To maximize the credit quality of its investments, the Fund's manager performs ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information. Cash is held with a custodian bearing a credit rating of Aa3 or better.

The Fund invests in debt securities, 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:

Rating	Percentage of net assets	
	June 30, 2018	December 31, 2017
BBB/Bbb	2.93%	5.16%
Below BBB	39.17%	41.77%
N/R	21.95%	16.74%
Total	64.05%	63.67%

The Fund also engages in securities lending transactions. The credit risk related to securities lending transactions is limited by the fact that the value of cash or securities held as collateral by the Fund in connection with these transactions is at least 102 percent of the fair value of the securities loaned. The collateral and loaned securities are marked to market on each business day. The aggregate dollar value of portfolio securities lent and collateral held under securities transactions is stated in Note 3.

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

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.

As at June 30, 2018 and December 31, 2017 the Fund's net assets were also exposed to credit risk arising from derivative contracts. The credit rating of the counterparties as at June 30, 2018 and December 31, 2017 was:

Portfolio by rating category	Percentage of net assets	
	June 30, 2018	December 31, 2017
AA/A/A-	0.65%	0.31%
Total	0.65%	0.31%

(e) *Liquidity risk*

Liquidity risk is the risk that the 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 and securities sold short at the daily valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed of. 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. Investments held as at June 30, 2018 that may be subject to liquidity risk have been identified on the Schedule of Investments. In addition, the Fund retains sufficient cash to maintain liquidity.

The tables below analyze the Fund's financial liabilities as at June 30, 2018 and December 31, 2017 into relevant groupings based on contractual maturity dates. The amounts are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. The net assets attributable to holders of redeemable units are redeemable on demand. However, the Manager does not expect that the contractual maturity disclosed below will be representative of the actual cash outflows as holders of the redeemable units typically retain them for a longer period.

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
As at June 30, 2018					
Liabilities					
Financial liabilities held for trading					
Forward contracts	\$ -	\$ -	\$ -	\$ -	\$ -
Written options	-	-	-	-	-
Accrued management fees	-	57,260	-	-	57,260
Redemptions payable	-	231,715	-	-	231,715
Redeemable units	56,774,117	-	-	-	56,774,117

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
As at December 31, 2017					
Liabilities					
Financial liabilities held for trading					
Forward contracts	\$ -	\$ 29,312	\$ -	\$ -	\$ 29,312
Written options	-	58,781	-	-	58,781
Accrued management fees	-	79,402	-	-	79,402
Redemptions payable	-	295,847	-	-	295,847
Redeemable units	81,270,358	-	-	-	81,270,358

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

Vertex Enhanced Income Fund

Notes to Financial Statements

June 30, 2018 (Unaudited)

Portfolio by Category	Percentage of Net Assets (%)	
	As at June 30, 2018	As at December 31, 2017
Bonds - Corporate Bonds	15.76	13.03
Bonds - Bermuda	0.87	0.68
Bonds - Cayman Island	2.29	1.41
Bonds - United Kingdom	5.49	6.23
Bonds - United States of America	39.64	42.32
Stocks - Energy	4.27	5.90
Stocks - Materials	10.73	9.04
Stocks - Industrial	3.18	1.07
Stocks - Consumer Staples	0.14	0.36
Stocks - Consumer Discretionary	0.73	1.07
Stocks - Financials	6.24	9.61
Stocks - Information Technology	0.78	2.36
Stocks - Telecommunications	0.86	0.28
Stocks - Utilities	2.23	1.64
Stocks - Health Care	0.76	-
Forward Contracts -Unrealized Gain	0.65	0.34
Forward Contracts -Unrealized Loss	-	(0.04)
Written Options	-	(0.07)
Cash	2.99	4.10
Other Assets, Less Liabilities	2.39	0.67
	<u>100.00</u>	<u>100.00</u>

13. Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2018 and June 30, 2017 is calculated as follows:

Class B	June 30, 2018	June 30, 2017
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (351,065)	\$ 635,947
Weighted average units outstanding during the period	2,618,545	4,476,418
Increase (decrease) in net assets attributable to holders of redeemable units per unit	(0.13)	0.14

Class F	June 30, 2018	June 30, 2017
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (672,764)	\$ 784,461
Weighted average units outstanding during the period	5,094,287	6,209,953
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$ (0.13)	0.13