

VERTEX ENHANCED INCOME FUND

Third Quarter Report, 2010

Some say inflation rates are going up; some say deflation rates are flat or falling: we say no idea. We're only concerned about credit. Can a company continue to pay and grow its dividend? Can a company pay the interest due on its debt and pay back principle on maturity? Analysis of balance sheets and income statements are what's important for the Enhanced Income portfolio and it's also what Vertex is good at. There have been ample opportunities to uncover and invest in all parts of the capital structure over this past year and with the exception of a couple of investments not working out, the portfolio overall behaved as expected. Covered call writing on equities is yielding excellent returns. Banco Santander and Seadrill have both been superb contributors with juicy option premiums and big dividends on top. On the bond and preferred front, the list is too vast to mention - which brings me to our team. In light of the fact that there are about 100 positions overall (important for risk reduction), this fund is largely a team effort. It is an onerous task to stay on top of 100 positions and find new ideas to replace bonds that have matured or reached full value. There is so much talent on our investment desk, with Tim Logie, Tom Savage, Craig Chilton and Emily Wheeler that there is no shortage of great investment ideas to replace maturing issues or capture an outsized option premium. This desk is now very powerful indeed. In addition, if you are reading this commentary from our website you'll notice a vast improvement of the site thanks to the hard work of Rob Binnington who came in and shook this place up about a year ago. He even trashed our original logo - yikes! Rob has also contributed to the writing of our monthly and quarterly commentaries. You may have noticed how much more useful information was provided when your penman was absent from the writing process!

Currently your asset mix is dominated by bonds and preferred shares south of the border with 52% in the former and 13% in the latter and 24% in equities with dividend yields in excess of 5%. Moreover 80% of this equity commitment is enhanced by collecting premiums on short dated (30/60 day) options. Our entire US position is hedged back to CAD. Going forward, there continues to be plenty of potential income investments on our radar screen. Give us a shout if you'd like further insight into the portfolio or to chat about whatever else might be on your mind.

PERFORMANCE

Net Asset Value	Rate of Return (Class F)				
	1 Mo.	3 Mos.	6 Mos.	Year To Date	Since Inception*
\$11.3802	4.08%	7.16%	3.37%	9.76%	17.18%

*not annualized

ASSET MIX

Cash	1%	Canadian Equities	16%
Fixed Income		Foreign Equities	8%
Canadian	10%	Preferred Shares	13%
Foreign	52%		