

VERTEX ENHANCED INCOME FUND

Fourth Quarter Report, 2010

It is an exciting time for your income fund! There are so many opportunities for income it's overwhelming. There are the Trusts; the Trusts that have converted to corporations with high dividends; straight dividend yielding common stocks; preferred shares with very attractive yields; preferred shares with very attractive yields plus an option to convert to the underlying common stock; and convertible bonds and straight bonds. In addition, there are loan portfolios being traded by savvy investors around the globe. We have taken advantage of all these opportunities, with the exception of the latter. Not that we're not savvy (well maybe that is it), but we're able to find plenty of great opportunity without trying to unravel mysterious loan portfolios in foreign countries.

There were developments for your fund of note - one occurring just prior to year end and the other just subsequent to year end. They were the bid for Western Financial by Desjardins and a bid by Cliff Natural Resources for Consolidated Thomson Mines. These takeovers led to some juicy returns. In the former, we owned the 9% convertible preferred shares and in the latter a 5% convertible bond. The bids were well into conversion price leading to a large gain for both. As an old client of mine used to say: "better to be lucky, than smart or good looking". Regardless of our good fortune with these two situations, everything else performed well during the quarter. Our challenge this year will be to find attractive income ideas to replace those maturing or reaching full value. As mentioned in the first paragraph, many opportunities do exist and as the economy improves so does the credit quality of our portfolio. The big risk in bond land today is longer dated bonds. Yields are low, prices are high and inflation could come back. We are happy to stay out of this segment of the bond market for the near term. There may be a time when high grade long bonds make sense but for now the risk/return equation seems to weigh heavy on risk and light on return.

That said, with a bird's eye view of the current landscape showing high single-digit yields available in attractive credits, 2011 looks to be capable of delivering strong returns for the fund.

PERFORMANCE (Class F)

| Net Asset Value | 1 Month | 3 Month | 6 Month | Year-to-Date | Since Inception ⁺ |
|-----------------|---------|---------|---------|--------------|------------------------------|
| \$11.5162* | 3.67% | 5.98% | 13.32% | 15.78% | 23.14% |

Distribution: \$0.570001

*post distribution *not annualized

ASSET MIX

| | | | |
|------------------|-------|-------------------|-------|
| Cash | 0.6% | Canadian Equities | 15.9% |
| Fixed Income CAD | 11.9% | Foreign Equities | 6.3% |
| Fixed Income USD | 42.3% | Preferred | 15.9% |

This statistical information is intended to provide you with information about the 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.