

VERTEX ENHANCED INCOME FUND

First Quarter Report, 2011

It's been an interesting quarter for your fund. Much has happened – some of which was discussed in our monthly note such as the takeovers of two convertible issues – Western Financial and Consolidated Thompson. Both resulted in 40% profits, all at capital gains tax rates, plus interest and dividends. Volatility has led to a plethora of opportunity to write calls at attractive premiums on names including AGF, BCE, Plum Creek Timber, Seadrill, and Pitney Bowes to mention just a few. These stocks not only have attractive option premiums but offer dividend yields on average in excess of 5%.

Fibrex, the old SFK Pulp Fund completed its partial redemption of their 7% convertibles which we purchased dirt cheap when the fund commenced operation back in the fall of 2009. Although the many gifts of 2009 and 2010 aren't available to the same extent today, different opportunities are arising. Many firms that issued debt at distressed levels during the panic are in much better shape today. These firms are now refinancing their expensive debt with less expensive debt (lower yield) by paying us back (with an early redemption premium) and issuing new bonds. We win both ways as the new debt is still being issued at very attractive interest rates at a time when firms are much stronger. So we are both a seller of the old bonds and a buyer of new debt depending upon the issuer. However, the same thing cannot be said about government balance sheets. Rarely do we hang with consensus, but in the area of government bonds, we're going with the headlines and sitting on the sidelines. Government finances around the globe are in shockingly poor shape and only time will tell whether austerity or a return to growth will ease the burden.

Finally, our strategy of diversification is paying off nicely. Many bonds and stocks in your portfolio were down during the quarter but, despite this drag, the fund was still up 4.71% (Class B). Keeping portfolio weights under 1% is generally not our style but when it comes to the high yield bond arena, it's the right way to play. With these small weights we can invest in smaller issues that a lot of funds cannot allocate to (on account of their size) and take advantage of some good opportunities.

PERFORMANCE (Class F)

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	Total Cumulative
\$11.9170 [†]	0.73%	4.76%	4.76%	15.01%	30.37%

Income Distribution: \$0.147175

[†]Post Distribution

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.