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VERTEX ENHANCED INCOME FUND

Second Quarter Report, 2013

The Vertex Enhanced Income Fund finished the month of June down 1.49% and for the quarter the fund was up 0.57%, leaving the fund up 6.11% year-to-date.

The quarter started out well for bonds, with new issuance continuing to rise and interest rates tightening. As such, both April and May were good for high-yield bonds. However, June was marked by one of the largest historical rises in treasury yields. The velocity of the move created dislocations in many markets, including the high-yield bond market. Market outflows through conventional and more unconventional sources like exchange-traded-funds, created a large downdraft in high-yield. Low-coupon, long-duration bonds were hit the worst. In the fund, we focus on shorter-duration, higher-coupon bonds which weren't affected nearly as bad but were not spared. When warning signs of the move in the bond market arose, we sold some vulnerable positions in the portfolio that were less liquid. The portfolio also holds a concentration of hybrid bonds that have a fixed/floating structure which we anticipate will perform better than traditional fixed-coupon bonds during an upward move in rates. It is important to remember that the current portfolio does not hold treasury and high-grade corporate bonds and that the portfolio is diversified with exposure to equities, convertible securities and preferred share equity.

The fund continued to add convertible bond exposure and we are now up to a 12.5% weighting. We remain bullish on US equities and like the combination of yield and equity exposure. We have focused on convertible securities near the "crux" - the tipping point between yield and equity exposure. These are securities that are more correlated to yield at the moment but with an upward move in the underlying equity they will become more correlated to the equity. This strategy allows for a little leverage on movement in the equity market as opposed to the bond market.

The equity markets were mixed over the quarter with the TSX Total Return Index down 4.08% and the S&P Total Return Index ($CAD) up 6.51%. The Canadian market was mostly driven lower by the continued drop in commodities, especially gold. We continue to write 30-60 day calls on 70-80% of the equity portfolio, targeting 2-3% upside on each call. We're happy to take the upside every time an option expires in the money. We have decreased our exposure to health care and moved into technology. Health care has been a market leader and it was time to move into something less volatile that has more upside potential. The technology additions are trading at only 5x EV/EBITDA, with dividends and good volatility to sell call options over.

We continued to reduce our preferred equity portfolio and expect that to continue moving forward over the next few months. We remain bullish on equities over the rest of 2013. As with any bull market, there will be periods of healthy correction. It is important as investors to take stock of the bigger picture and focus on the larger trend. In the current environment, that bigger picture is a gradually recovering economy with increasing corporate earnings.

PERFORMANCE (Class F as at June 30, 2013)

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	3 Year*	Since Inception*
$11.3972[+]	-1.49%	0.57%	6.11%	14.43%	8.88%	9.41%

June 14th Distribution: $0.139715

[+]Post Distribution
*Annualized