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VERTEX ENHANCED INCOME FUND

Fourth Quarter Report, 2014

The Vertex Enhanced Income Fund (Class F) finished the fourth quarter down 3.60%.

Your fund was having a swimmingly good year (up 7.89% through August) until one particular event threw a fly in the ointment. We've spoken at length regarding the Income Fund having very little risk due to inflation or interest rates, leaving risk largely a factor of credit and the perception of credit or default risk. This was evidenced in 2011, when investors' became concerned about the possibility of credit crisis II emerging through contagion from Europe. This event never materialized and after a brief drop (similar to recent experience) the Fund carried on; bonds prices rose again, eventually maturing at par. Fast forward to September 2014, and a similar backdrop revealed itself - worries regarding a credit crisis. Yet, in one particular area…that being energy. Although our exposure to energy related bonds and equities was not materially high, price corrections were extraordinary. Seadrill and North Atlantic Drilling got clobbered when they stopped paying dividends and Diamond Offshore fell on general negative sentiments for the industry. This is wholly justified, of course, with oil falling from $100 to $50 - prospects for drillers or producers should be viewed as pretty dim. Many lose money at $50 oil or less and the idea that interest payments are at risk for bond holders is real. Thus, many energy related bonds have had large price reductions. The silver lining to all of this is that tremendous opportunities have presented themselves. More on this a little later.

So, energy was a large drag on performance overall and is the primary reason for the year end dip. On the positive side, our Note to the company Jemi Fibre (financing timberland) was repaid in full at year-end. It was a pleasure working with Brent Lokash and Mike Jenks from Jemi. The remainder of our small weight (5% total) in private notes is performing very well with four out of five underlying businesses exceeding expectations and one meeting. Our philosophy is to keep weights in this arena at 1% or less up to a maximum of 8% of the fund. However, we really like this commitment. By negotiating with companies directly, we are able to get far better terms and security. Rather than waiting for Wall St. or Bay St. to bring us a deal on their terms. Most other bonds and stocks rose or fell during the quarter to the extent that they cancelled each other out.

With energy related securities selling at bargain basement prices and as value investors, we are seeing opportunities in this industry not seen since the beginning of the previous decade. Further, great bargains are showing up in both parts of the capital structure, equities and debt. On the debt side, we view this from a perspective of purchasing deeply discounted debt rather than the equity of firms like Paragon or Hercules Offshore. Interestingly, two of our bond holdings, Lightstream and Paragon have been buying back their own debt at deep discounts. Suggesting their balance sheets are stronger than the panicked market indicates. We have also added Noble Corp equity and increased our stake in Diamond Offshore equity based on an assessment they will skate through this downturn. Both have dividend yields of around 10%. Mining was also crushed in 2014, resulting in the addition of Freeport-McMoRan and BHP. Both are blue-chip mining stocks that were cut in half and now yield 5%, making for a great entry point. Holdings in Ford Motor Company was increased as well. With low energy prices, people will simply buy more cars and trucks. Ford will be a beneficiary of this trend and they have a new higher margin, lighter weight aluminum body F-150 rolling out. Finally, we added a convertible bond issued by S&W Seed Co. in the US.

Looking forward, we're very excited and will continue to add bonds and equity from energy and mining companies. Many companies now trade below book value and lower energy costs should increase margins at the miners. Our assessment is also that most energy bonds will mature-to-par, while they're trading at anywhere from 50 to 80 cents on the dollar today. This is an opportunity unique to energy… similar to buying corporate bonds during the credit crisis of 2008/2009.

The fund distributed excess income on December 15th, which resulted in an all income distribution for 2014 of 6.86% of the NAV.

PERFORMANCE (Class F returns as at December 31, 2014)

Net Asset Value	**1 Month**	**3 Month**	**Year-to-Date**	**1 Year**	**3 Year***	**5 Year***	**Since Inception***
$11.1129+	-1.54%	-3.60%	1.24%	1.24%	8.61%	7.10%	8.05%

Net of all fees and includes reinvested distributions.

+Post Distribution
*Annualized