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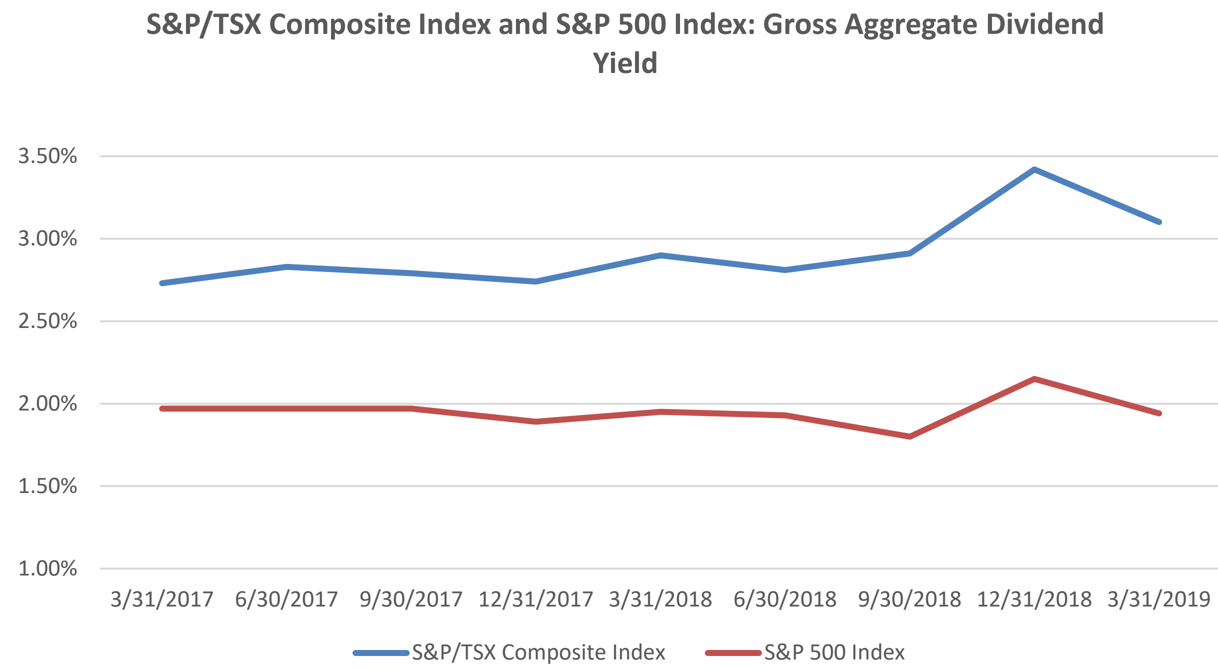
VERTEX ENHANCED INCOME FUND

First Quarter Report 2019

The mandate of the Enhanced Income Fund since it started has been to provide our investors with income levels above those of traditional bonds, while also managing risk and volatility. Over the years we've successfully fulfilled this mandate. However, in doing so we remain cognizant that broad market declines that may impact multiple asset classes will occasionally happen. We experienced such an uncommon occurrence in the final months of 2018, when a variety of external geopolitical and macroeconomic factors sparked declines in both equity and fixed income markets, which in turn negatively impacted the Fund's returns. While such occurrences are rare, they also provide opportunities for us to buy into valuable investment positions that can generate strong, risk-adjusted yields for our investors over a sustained time period.

As the Fund is allocated to approximately 25% dividend-paying equities and 75% fixed income, we're going to discuss each of these two markets in succession. Let's first take a look at the equity side, the smaller component granted, but the one that may have experienced the most dramatic activity over the past six months. There was a broad-based market decline in the fourth quarter of 2018, driven by factors such as concerns over rising interest rates, global trade disputes and signs of slowing global economic growth. These declines hit nearly all stocks, with the exception of a few key companies (some of which analysts feel have been overbought and don't represent good value for our investment dollars). Our Fund was not immune, and the fourth quarter was a challenging period for us. Yet, the quarter proved to be a two-way street, as valuations became very attractive.

The decline was temporary, and our equity investments regained ground in the first three months of 2019. Importantly, the volatility of the fourth quarter gave us the chance to scour equity markets for sound investments now at bargain-level prices. Opportunities like these are made for value investors like us. Recently, we've purchased shares in several large-capitalization companies like Kraft Heinz and Inter Pipeline. During the fourth quarter of 2018, the stocks of many large and well-known companies declined by 40%–50%, giving us a window to buy at a low price. In our two principal markets, Canada and the United States, gross aggregate dividend yields reached recent highs at the end of 2018, indicating opportunities for us to purchase high revenue streams at a bargain.



Source: Bloomberg, as of March 31, 2019.
Canada represented by the S&P/TSX Composite Index.
The United States represented by the S&P 500 Index.

At the same time, we've been finding opportunities in smaller companies as well. We recently began investing in Surge Energy, a Calgary-based oil and gas exploration company. The Canadian energy sector hasn't been the most popular place to invest in recently, but this position is a great reflection of our active management and value strategy. Global oil prices, uncertainty over Canada's future in pipelines and the ongoing price difference, or spread, between Western Canadian Select crude oil and West Texas Intermediate crude oil have made many other investors wary of domestic oil companies. But we like to drill deeper, pardon the expression. In Surge, we found what we were looking for: a company with strong management, solid balance sheets and an attractive dividend yield (approximately 7% at the time of our purchase) that we feel can not only weather these tough times, but come out even stronger than their peers and competitors.

With respect to fixed income, our investment philosophy is similar to the one we apply to equities. We're agile, and we invest where we can find the best opportunities for robust and risk-managed yields above those of traditional bonds. We are bond investors, not bond traders, and when we buy into a position we intend to hold it to maturity. In the recent past, we found many of these opportunities in the high-yield space. However, we've shifted our focus over the past six months. As a result of our own analysis of fixed income markets and the Fund's daily liquidity mandate, we've invested strategically in higher-grade bonds (BBB and up). We believe this positioning reflects the higher, risk-adjusted yields our investors look for, while at the same time providing us with the liquidity levels and flexibility necessary to make additional strategic and tactical moves as market conditions change. Recent individual additions to our fixed income portfolio have been Mattel 2025 bonds and Canadian Western Bank preferred shares.

As part of our risk management strategy, we're maintaining our short overall duration positioning in our fixed income portfolio. This positioning helps to reduce interest rate risk; even though central banks in 2019 shifted their tone away from raising rates further, uncertainty still remains with respect to future policy moves. Maintaining a short duration in the portfolio helps us keep our investors' assets out of harm's way in an increasingly unpredictable interest-rate environment.

Please feel free to contact us should you have questions.

PERFORMANCE

(Class F returns as at March 29, 2019)

NAV	1 Month	3 Month	Year-to-Date	1 Year	2 Year*	3 Year*	5 Year*	Inception*
$ 8.6194+	1.02%	4.45%	4.45%	-1.52%	-1.57%	4.93%	0.07%	4.68%

Net of all fees and includes reinvested distributions. +Post Distribution *Annualized.