# EnerVest Diversified Income Trust
## Monthly Investor Report

February, 2010

## What's New

**Taking Profits on Low-Yielding Preferred Shares; Increasing REIT Holdings**

- Realizing profits on preferred share positions that have benefited from declining market yields.
- Increasing our position in several REITs including Boardwalk, H&R, InnVest, and Chartwell Seniors Housing.

## Countdown to Tax Time

Over the next several months investors will turn their attention to tax preparation. Here are some frequently asked tax questions and answers regarding the fund that will assist investors in preparing their returns:

**When will tax information related to the 2009 distributions be available?**

In order to provide investors with an accurate tax breakdown of the distributions, we need to receive similar information from each of the investees in the portfolio. In early March, EnerVest will issue a news release providing investors with this information.

**Who prepares my T3 tax slip and when should I expect it?**

If you hold your units with a broker, the investment firm will prepare and mail your T3 slip. Typically, this is not done until the end of March. Please inquire with your investment firm directly to confirm their T3 preparation and delivery schedule. Registered unitholders, those who hold a physical unit certificate, will receive their tax slips directly from Computershare. These are expected to be mailed at the end of March.

**Another Tip:**

- **Revisions to T3s:** With over 80 investments in the fund, on occasion we receive tax revisions from one or more of our holdings. Any revisions may require that we reissue T3 tax slips to our investors. In order to avoid refiling your income tax return, you may wish to wait until the end of March before filing your return.

## Our Historical Returns*

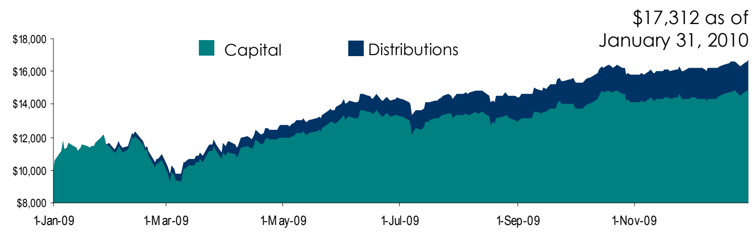
For the period ended January 31, 2010

| | 3 Months | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---|---|---|---|---|---|---|
| EIT.UN - Market Price | 9.9% | 3.2% | 52.1% | 2.4% | 1.8% | 13.4% |
| EIT.UN - NAV per Unit | 10.0% | (0.2)% | 48.0% | 2.5% | 3.9% | 13.9% |
| TSX Total Return Composite | 2.4% | (5.3)% | 31.7% | (2.4)% | 6.6% | 4.9% |

- **EIT.UN has outperformed the market in the last year and last ten years.**

## Growth of $10,000 Invested*

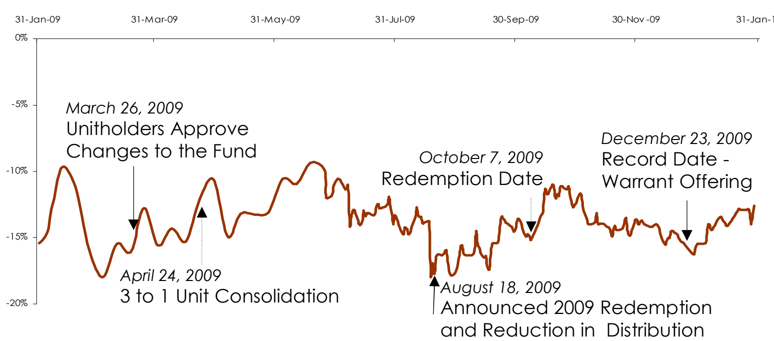
From January 1, 2009




* Historical returns represent annualized compound rates of return for the trailing periods ended January 31, 2010. See disclaimer on next page for further details.

## Discount to Net Asset Value

Trailing 12 Months ended January 31, 2010

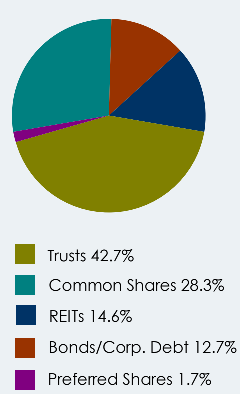



## Sector Allocation*

| | Jan % | Change% |
|---|---|---|
| Energy Exploration and Production | 21.0 | (1.3) |
| REITs | 14.6 | 1.6 |
| Fixed Income | 14.4 | (0.5) |
| Oil & Gas Storage/Transportation | 12.6 | 0.1 |
| Banks & Other Financials | 11.0 | (0.2) |
| Industrials | 7.8 | 0.3 |
| Utilities | 4.5 | 0.1 |
| Consumer Discretionary | 4.4 | - |
| Material | 4.2 | 0.4 |
| Real Estate Corps | 3.5 | 0.4 |
| Energy Services | 0.8 | - |
| Telecommunications | 0.8 | - |
| Healthcare | 0.4 | - |

*Based on Total Asset Value as at January 31, 2010

## Asset Mix*




## Top 10 Holdings*

| | |
|---|---|
| 1. Labrador Iron Ore Royalty Income Fund | 3.70% |
| 2. Inter Pipeline Fund | 3.45% |
| 3. IESI-BFC Ltd. | 3.35% |
| 4. H & R REIT | 3.30% |
| 5. Keyera Facilities Income Fund | 3.18% |
| 6. Canadian Oil Sands Trust | 2.93% |
| 7. Chartwell Seniors Housing REIT | 2.89% |
| 8. Yellow Pages Income Fund | 2.76% |
| 9. Pembina Pipeline Income Fund | 2.52% |
| 10. Brookfield Properties Corp. | 2.50% |

# Portfolio Manager Update

CYPRESS CAPITAL MANAGEMENT *Portfolio Manager Since June 2000*

## Markets Pull Back – No Bounce in January

Following on the heels of a remarkable recovery in 2009, markets appeared ready to extend the cyclical-led rally into the new year. By mid-January, however, concerns about regulatory changes in the banking industry and the potential for slower growth in China caused the rally to stumble, with the S&P/TSX Composite Index declining 5.5% for the month. From its peak of 11,953 on January 8th, the Composite declined 7.2% to month-end, led by the materials and energy sectors. The sell-off was broad based as every sector was down in January, with defensive stocks outperforming on a relative basis. The S&P/500 Index, with less exposure to cyclicals, outperformed the Canadian markets, declining by a more modest 3.7% for the month.

## Economic Recovery Continues

The recovery in the Canadian economy remains on track, as indicated by the following:

• **GDP Growth**: November had GDP growth of 0.4%, the third consecutive month of positive growth.

•**Canadian Employment:** While Canadian employment came in slightly negative in December with 2,600 jobs lost (leaving the unemployment rate unchanged at 8.5%), it followed on the heels of a very strong 79,000 job gain in November. A total of 38,000 jobs were created in the final quarter of 2009.

•**Housing Market:** Builders started 174,500 units in December, representing the third consecutive monthly increase, and the first time in 21 months that starts were up year over year.

•**Interest Rates:** The Bank of Canada held its target for the overnight rate at 0.25%, reiterating its commitment to keep rates unchanged through the second quarter of 2010 as the economic recovery continues to take hold. The US Federal Reserve also reaffirmed that the target for the Fed Funds rate will stay in the 0% to 0.25% range "for an extended period."

We do not anticipate the Fed will raise rates before late 2010 at the earliest given high levels of US unemployment and significant economic slack.

## Choppiness in the Months Ahead

We expect the market is entering a period of consolidation following last year's strong market rally and expect further gains will be more muted. The recent pullback has occurred despite a strong start to the fourth-quarter earnings reporting season, with the majority of companies reporting better than expected results on both the top line and earnings. With valuation multiples having normalized close to their long-term averages, we believe that the momentum trade has played out, and look to incremental signs of economic recovery and the sustainability of earnings growth to drive further market gains.

Given a lack of visibility with respect to the timing and strength of the U.S. economic recovery, we expect equity markets will remain volatile in 2010. In this environment of uncertainty, we see continued demand for yield-oriented securities, which will lend support to valuations of dividend-paying equities and income trusts.

## 5 Key Reasons to Own This Fund

1. Diversification
2. Attractive Yield
3. Track Record
4. Leverage
5. Commitment to Service

### Strategy

Maximize distributions and Net Asset Value while managing risk for Unitholders through an actively managed, high yielding diversified portfolio of income-generating and capital-growth oriented securities.

### Fund Details (As of Jan. 31)

| | |
|---|---|
| Exchange and Symbol | TSX: EIT.UN |
| 52 Week High/Low | $13.14/$7.56 |
| 30 Day Average Daily Volume | 122,419 |
| No. of Units Outstanding | 89,966,542 |

### Fund Value (As of Jan. 31)

| | |
|---|---|
| Net Asset Value | $1.32 billion |
| NAV per Unit | $14.62 |
| Market Price | $12.78 |
| Discount to NAV | 12.6% |
| Current Yield | 9.4% |

### Distributions*

| | |
|---|---|
| Current Monthly Distribution* | $0.10 |
| Distributions From Inception on a Consolidated Basis | $30.54 |

### Quick Facts

| | |
|---|---|
| Mgmt Expense Ratio (MER) (As of Dec. 31, 2008): | |
| Excl. Issue Costs & Interest | 1.33% |
| Incl. Issue Costs & Interest | 2.18% |
| Tax Deferred Plans | RRSP, RESPs, RRIF, TFSA & DPSP |
| DRIP Available | |

### Key Dates

**February Distribution**

| | |
|---|---|
| Distribution Record Date | February 26, 2010 |
| Payment Date | March 15, 2010 |
| Ex-Distribution Date | February 24, 2010 |

### Warrant Details (As at Jan. 31)

| | |
|---|---|
| Exchange and Symbol | TSX: EIT.WT |
| Market Price | $0.25 |
| Exercise Price | $13.31 |
| Expiry Date** | September 23, 2010 |
| Call Right Date** | After June 23, 2010 |

*The amount of distributions may vary in the future due to market conditions and other factors.
** If, after June 23, 2010, the units trade above the exercise price for a period of 10 business days, EnerVest has the right to "call the warrants" thereby giving investors 20 business days to exercise them, after which they will expire.

ENERVEST

**We want to be your partner.**
**We are listening.**

We want your feedback.
Please call Investor Relations at 1-877-434-2796 or email us at **info@enervest.com**.
To learn more about EnerVest please visit
**www.enervest.com**