

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2010

VERTEX VALUE FUND

Integrity | Service | Performance | Independence



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-681-5787, by writing to us at:

Vertex One Asset Management Inc.
Suite 1920 – 1177 West Hastings Street
Vancouver, BC
V6E 2K3

or by visiting our website at

www.vertexone.com

or

SEDAR at www.sedar.com

Securityholders may also contact us using one of these methods to request a copy of the investments fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION AND FUND PERFORMANCE

Investment Objective and Strategies

The Fundamental investment objective of the Vertex Value Fund (the “Fund”) is to provide long term capital growth by investing primarily in equity securities of Canadian and United States companies. The Fund may also invest in international companies if the opportunities arise.

To achieve the Fund’s investment objective, the Fund primarily seeks out companies deemed to be trading at attractive levels relative to the general market, their competitors and their growth rates. A strong emphasis is placed on companies with annuity like cash flows, strong balance sheets and high dividend yields.

Further to the primary objective the Fund may also:

- Write covered call options when premiums are attractive
- Sell put options when premiums are attractive
- Invest in securities convertible into equity securities

The inception date of the Fund was September 21, 2009.

Risk

In the first full calendar year of operation, the portfolio has adhered to all of its strategic objectives. The risks remain as disclosed in current prospectus. The Fund is exposed to the risk of a political situation causing the markets to drop or a change in legislation that affects an investment. Specifically, legislation or market events negatively affecting the financial or insurance industries of North America would affect the portfolio. Similarly, any legislation or market events that negatively impact the paper and forestry industry in North America would be a risk to the Fund.

The Fund has an increased exposure to currency risk because it does not engage in significant currency hedging. The result is that fluctuations in the US Dollar can affect returns in either a positive or negative manner proportional to the Fund’s foreign exposure.

The Fund does not take part in any short selling.

Results of Operation

Performance for the year ending December 31, 2010 for Class B units was 15.39% and for Class F units was 15.66%. Performance between Class B and Class F may not be the same due to differences in fees and expenses charged for each Class. Taking a snapshot of our portfolio at the beginning of 2010 and comparing it to today, one will notice that your Fund manager has done little in changing the composition of the Fund, as portfolio turnover has been close to zero. The Fund is still invested in property and casualty insurance companies, forest products, and regional banks in America. The only reason to trade is if a stock has become overvalued or is an obvious mistake. Throughout the year neither of these circumstances occurred. Even after two years of compelling gains, our portfolio companies’ earnings have risen more rapidly than their underlying stock prices and thus remain incredibly good value. For example, Fairfax Financial, one of our longest held

positions still sells for just its book value after performing very well on all fronts, except stock price performance making its value highly attractive. What's really appealing about Fairfax today is they're embarking upon a program of acquisition at the bottom of a market. Most firms only make acquisitions at market tops – the reason being that's when companies have cash and optimism in their industry is at its peak. The problem here is that this is usually when acquisitions are most expensive. In Fairfax's case, insurance companies are trading at or below book value resulting from an on-going soft insurance market. This is exactly the right time to embark upon an acquisition program. Few firms ever do though. They buy only when they're feeling rich and the money's jingling out of their jeans at the top of their respective industry's cyclical peak. It's just human nature to be over-confident in good times and under-confident in bad. For this reason I like my Fairfax odds.

To conclude, with pessimism still high and the world's largest economy improving, I believe we're in for another excellent year in 2011. Our American banks are working through their non-performing loan portfolios and will likely see a profit this year. Lumber has doubled in price to \$300 and this will help the beleaguered forest sector. Property and casualty insurance will just tick along making good profits. Overall, there are many reasons to feel confident going into 2011 and the most compelling one of all is the overwhelming under-confidence in the recovery!

We do not foresee any changes to the management of the Fund in the near future, nor do we see any shift in strategic positioning.

Future Accounting Changes

International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian accounting standards and interpretations for publicly accountable enterprises in 2011. Vertex Asset One Management has developed a changeover plan to IFRS. The key elements of the changeover plan include assessment of significant IFRS and Canadian GAAP differences, analysis and conclusion on accounting policy choices, identification of additional disclosure requirements under IFRS, and preparation of the financial statements in accordance with IFRS with comparatives.

Based on its current assessment of the differences between IFRS and Canadian GAAP, Vertex Asset One Management has presently determined that there will be no significant impact to the Net Asset or Net Asset per unit as a result of the changeover. It is expected that the impact of IFRS will be limited to additional disclosure and potentially modification to the presentation of unitholder interests and certain other items. This present determination is subject to change if new standards or new interpretations of existing standards are issued before the changeover.

In September 2010, the AcSB approved a one year deferral of adoption of IFRS for investment companies currently applying Accounting Guideline 18, Investment Companies, which include investment funds. In January 2011, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its Decision Summary that the deferral is a result of the delay in the

International Accounting Standards Board’s (“IASB”) investment company project and that a final standard would likely not be issued before January 2012, the previous mandatory IFRS changeover date for investment companies in Canada.

Investment funds may continue to apply existing Canadian GAAP standards until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund will adopt IFRS for the fiscal period beginning January 1, 2013, and will issue the first financial statements under IFRS, including comparative information, for the interim period ending June 30, 2013.

Sales Tax and GST Harmonization

Effective July 1, 2010, the British Columbia and Ontario provincial governments proceeded to harmonize their Provincial Sales Tax (“PST”) with the federal Goods and Services Tax (“GST”) to become the new Harmonized Sales Tax (“HST”). HST is applicable to GST-taxable services charged to the Fund. HST is calculated separately for each class of the Fund in proportion to the amounts invested by residents of HST-participating provinces when compared to non-participating provinces. HST participating provinces refer to the provinces of Ontario, British Columbia, Nova Scotia, New Brunswick or Newfoundland and Labrador or any other province that in the future begins to apply HST. The net effect is the application of a “blended rate” of GST/HST to each class of the Fund and an increase in taxes applied to the Fund for services charged to the Fund.

Related Party Transactions

During the period ended December 31, 2010, the Fund incurred performance fees in the amount of \$135,833 and management fees (all of which were subsequently reimbursed to the fund by the manager due to the size of the fund) in the amount of \$124,436 to its manager, Vertex One Asset Management, Inc.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the periods ending on December 31st.

The Fund’s Net Assets per Unit ⁽³⁾

	2010 Class F	2010 Class B	2009 Class F	2009 Class B
Net Assets, beginning of period ⁽¹⁾	\$ 10.42	\$ 10.41	\$ 10.00⁽⁴⁾	\$ 10.00⁽⁴⁾
Increase (decrease) from operations:				
Total revenue	0.21	0.21	0.04	0.03
Total expenses	(0.31)	(0.31)	(0.16)	(0.16)
Realized gains (losses) for the period	0.07	0.06	0.02	0.01
Unrealized gains (losses) for the period	1.48	1.46	0.80	0.23
Total increase (decrease) from operations ⁽¹⁾	1.45	1.42	0.70	0.11

	2010 Class F	2010 Class B	2009 Class F	2009 Class B
Distributions :				
From income (excluding dividends)	-	-	-	-
From dividends	-	-	0.01	0.01
From capital gains	-	-	0.01	0.01
Return of capital	-	-	-	-
Total annual distributions ⁽¹⁾⁽²⁾			0.02	0.02
Net Assets, end of period	\$12.10	\$12.07	\$10.42	\$10.41

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) This information is derived from the Fund's audited annual financial statements. The net assets presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the notes to the financial statements.
- (4) Fund Commenced operations on September 21, 2009

Ratios and Supplemental Data

	2010 Class F	2010 Class B	2009 Class F	2009 Class B
Total net asset value (\$ 000's) ⁽¹⁾	4,760	5,576	1,994	2,228
Number of units outstanding ⁽¹⁾	393,222	461,786	191,029	213,567
Management expense ratio (%) ⁽²⁾	2.56	2.59	5.45	5.65
Management expense ratio before waivers or absorptions (%)	4.69	5.79	14.01	10.32
Portfolio turnover rate (%) ⁽³⁾	14.07	14.07	0.13	0.13
Trading expense ratio (%) ⁽⁴⁾	0.22	0.22	1.46	1.46
Net asset value per unit (\$)	12.11	12.07	10.45	10.44

- (1) The information is provided as at December 31 of the year shown.
- (2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

Management Fees

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One Asset Management Inc a management fee, monthly in arrears, and calculated daily, on each business day, as a percentage of the net asset value of each class of Units that comprise a Fund.

The management fee may vary from Class to Class and will be deducted as an expense of the Fund in the calculation of the net profits of such Fund. The management fee for each of the existing classes of Units is as follows:

Class B: 1/12 of 2.0% (2% per annum) of the net asset value of the Class B Units on the last business day of the preceding month.

Class F: 1/12 of 1.0% (1% per annum) of the net asset value of the Class F Units on the last business day of the preceding month.

The Fund received services in consideration of the management fees as follows:

Services Provided	Class B	Class F
Distribution related costs	62.5%	0%
Portfolio Advisor and Management Services	37.50%	100%

Performance Fees

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One Asset Management Inc a performance fee equal to 20% of the amount by which the cumulative total return of the Fund exceeds the cumulative total percentage increase or decrease of the following benchmarks having the following components, and provided that the Net Asset Value per Unit for each Class of Units exceeds the high-water mark described below.

- 50% weighting – S&P 500 Total Return Index (or its successor indices, as applicable)
- 50% weighting – S&P/TSX Composite Total Return Index (or its successor indices, as applicable)

If at any time the performance of a Fund is less than its benchmark, then no performance fee will be payable until the performance of such Fund relative to its benchmark has exceeded the amount of the deficiency. Any deficiency remaining after one year will be extinguished and the performance of a Fund will be measured against its benchmark, without regard to any prior deficiency.

In addition, the highest daily Net Asset Value per Unit for each Class of Units for a day on which a performance fee is payable establishes a high-water mark for such Class of Units which must be exceeded in subsequent days for the performance fee applicable to such Class of Units to be payable.

Performance fees will be calculated and accrued (and become payable) daily, such that, to the extent possible, the unit price each day will reflect any performance fees payable at the end of such day. The Net Asset Value per Unit for each Class on the last business day of any quarter for

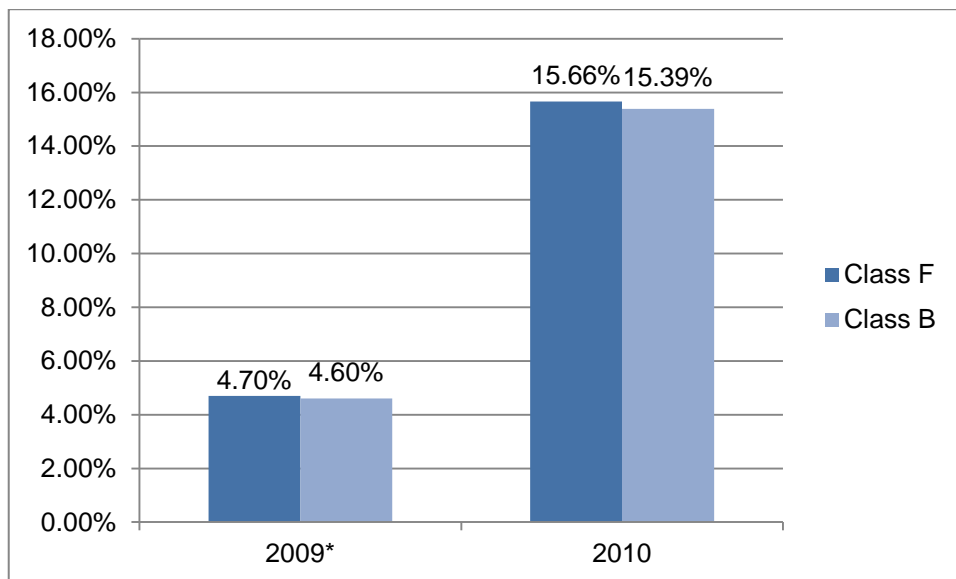
which a performance fee is paid by a Fund to Vertex One establishes a quarterly high water mark. If the Net Asset Value per Unit for each Class on the last business day of a subsequent quarter is below the previous quarterly high water mark, accrued performance fees will not be paid to Vertex One and payment will be deferred until a new quarterly high water mark is achieved.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following chart shows the performance of the Fund since its inception date of September 21, 2009 to December 31, 2010. The charts show you the Fund’s annual historical return and how it changes each year. Annual return is the percentage change in the value of an investment from January 1 to December 31, unless otherwise noted. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year. The returns are cumulative and include all distributions.



*2009 returns are since inception date Sept 21, 2009

Annual Compound Return

The following table illustrates the annual compound total return for Class B and F units of the Fund for the periods shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of the S&P/TSX Composite Total Return. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

	1-Year	Inception
Value Fund Class B	15.39%	20.90%
Value Fund Class F	15.66%	21.30%
S&P/TSX Total Return Index	17.61%	21.98%

Inception of the fund was September 21, 2009. Return since inception is not an annualized number.

During the year ended December 31, 2010, your investment in the Fund experienced a return below that of the Index noted in the above table. Performance will vary by class largely due to the extent that fees and expenses may differ between classes. Index returns are displayed for reference purposes only and are not meant to be a proxy for the returns of the Fund. The Fund does not aim to replicate the composition of either Index and as such its performance may differ.

Summary of Investment Portfolio

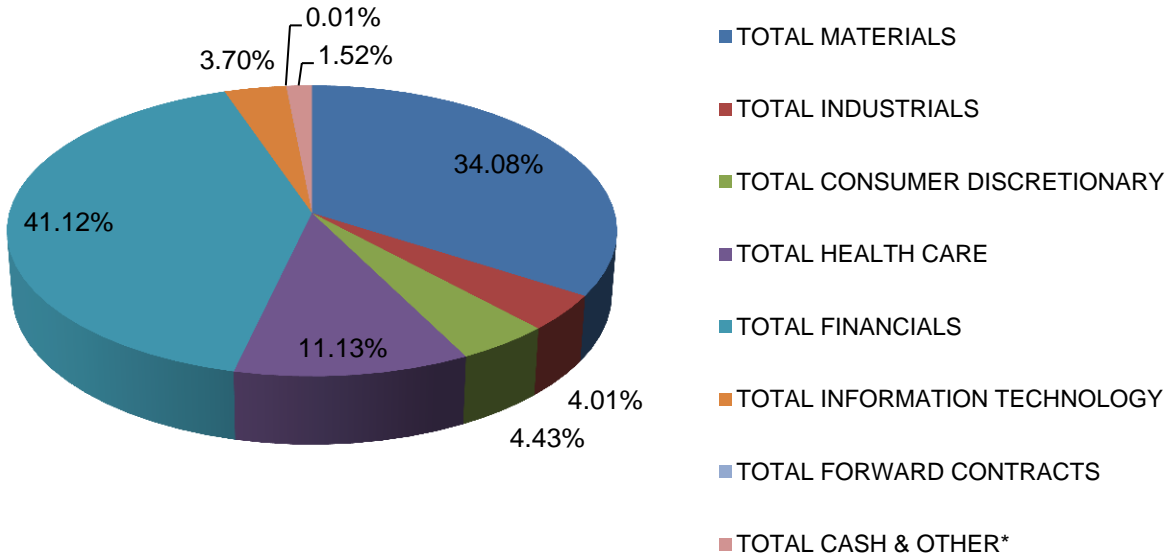
The major portfolio categories and top holdings (up to 25) of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at March 31, 2011.

Top 25 Holdings	
Issuers	% of Net Asset Value
International Forest Products Ltd., Class A	7.99%
Fairfax Financial Holdings Ltd.	7.33%
Timberwest Forest Corp., Class U	4.49%
Norbord Inc.	4.36%
Conifex Timber Inc.	4.36%
Canfor Corp.	4.24%
West Fraser Timber Co., Ltd.	3.99%
Mattel Inc.	3.96%
Celestica Inc.	3.70%
Eacom Timber Corp.	3.27%
PartnerRe Ltd.	3.17%
Citigroup Inc.	2.79%
Valeant Pharmaceuticals International Inc.	2.65%
Montpelier Re Holdings Ltd.	2.65%
Zions Bancorporation	2.63%
XL Group PLC	2.47%
Pfizer Inc.	2.46%
Platinum Underwriters Holdings Ltd.	2.42%
QLT Inc.	2.23%
Old Republic International Corp.	2.16%
Bristol-Myers Squibb Co.	2.06%
Synovus Financial Corp.	2.03%
Regions Financial Corp.	1.96%
Banco Santander SA, ADR	1.92%
Fibrex Inc.	1.90%

Net Asset Value = \$10,335,675

The following chart sets out the sector allocations of the Fund's portfolio as at December 31, 2010.

Sector Allocation %



*Cash and other, for the purpose of this chart includes other assets less liabilities.