

# **Vertex Fund**

Financial Statements  
**December 31, 2010**

April 19, 2011

**Independent Auditor's Report**

**To the Unitholders of  
Vertex Fund (the Fund)**

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations, changes in net assets and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and 2009 and the results of its operations, the changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants

# Vertex Fund

Statements of Net Assets

As at December 31

	2010	2009
<b>Assets</b>		
Investments at fair value	\$ 1,140,507,906	\$ 947,642,618
Cash and cash equivalents	181,054,998	8,973,034
Accrued interest and dividends receivable	6,901,030	6,692,720
Miscellaneous receivable	116,846	-
Due from broker	3,777	1,833,240
Subscriptions receivable	14,249,993	11,124,941
	<u>1,342,834,550</u>	<u>976,266,553</u>
<b>Liabilities</b>		
Securities sold short at fair value	272,637,112	105,679,271
Accrued performance fees	22,549,037	2,919,744
Dividends and interest payable on securities sold short	1,167,556	789,485
Distributions payable	136,615	-
Securities borrowing fees payable	905,347	311,417
Accounts payable and accrued liabilities	115,838	141,599
Due to broker	4,250,000	1,728,155
Redemptions payable	3,525,825	5,701,272
	<u>305,287,330</u>	<u>117,270,943</u>
<b>Net assets representing unitholders' equity</b>	<u>\$ 1,037,547,220</u>	<u>\$ 858,995,610</u>
<b>Net assets representing unitholders' equity per Class</b>		
Class A	\$ 329,657,264	\$ 299,799,422
Class B	\$ 236,338,704	\$ 180,642,568
Class BB	\$ -	\$ 11,429,039
Class F	\$ 471,551,252	\$ 320,794,999
Class FF	\$ -	\$ 46,329,582
<b>Net assets per unit (Note 2)</b>		
Class A	\$ 71.32	\$ 61.86
Class B	\$ 10.43	\$ 9.11
Class BB	\$ -	\$ 14.40
Class F	\$ 68.04	\$ 59.15
Class FF	\$ -	\$ 14.45

Approved by the Fund Manager

"Signed"

\_\_\_\_\_  
John W. Thiessen

Director

"Signed"

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Jeffrey McCord

Director

(See accompanying notes to the financial statements.)

## Vertex Fund

Statements of Operations

For the years ended December 31

	2010	2009
<b>Investment income</b>		
Dividends (net of withholding taxes: \$1,867,461; 2009 - \$1,201,873)	\$ 41,820,440	\$ 7,689,244
Interest and other	33,475,917	22,070,307
	<u>75,296,357</u>	<u>29,759,551</u>
<b>Expenses (Note 6)</b>		
Management fee	12,055,795	7,915,848
Dividends and interest - short sales	3,983,007	4,749,719
Securities borrowing fee	5,799,460	4,534,508
Performance fee	45,607,564	3,928,062
Securityholder reporting costs	335,685	264,786
Other administrative expenses	33,129	133,377
Audit fees	51,669	44,701
Legal fees	25,835	22,200
Trustee fees	27,618	12,242
Interest expense	411,276	1,344,349
	<u>68,331,038</u>	<u>22,949,792</u>
<b>Net investment income</b>	<u>6,965,319</u>	<u>6,809,759</u>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Realized gain on sale of investments	170,078,428	130,223,915
Realized gain (loss) on securities sold short	(28,736,669)	11,361,607
Transaction costs (Note 2)	(5,580,804)	(5,818,439)
Change in unrealized appreciation in value of investments and securities sold short	27,810,148	239,809,675
Change in unrealized appreciation (depreciation) in value of foreign currency	(8,142,921)	8,476,054
<b>Net realized and unrealized gain on investments</b>	<u>155,428,182</u>	<u>384,052,812</u>
<b>Increase in net assets from operations</b>	<u>162,393,501</u>	<u>390,862,571</u>
<b>Increase in net assets from operations per Class</b>		
Class A	\$ 53,847,105	\$ 143,506,320
Class B	\$ 35,133,436	\$ 85,674,307
Class BB	\$ 72,976	\$ 1,566,863
Class F	\$ 73,006,940	\$ 154,062,510
Class FF	\$ 333,044	\$ 6,052,571
<b>Increase in net assets from operations per unit (Note 2)*</b>		
Class A	\$ 11.55	\$ 28.46
Class B	\$ 1.65	\$ 4.15
Class BB	\$ 0.09	\$ 4.44
Class F	\$ 11.35	\$ 27.28
Class FF	\$ 0.11	\$ 4.42

\* Based on the weighted average number of units outstanding for the year

(See accompanying notes to the financial statements.)

## Vertex Fund

Statements of Changes in Net Assets  
For the years ended December 31

	Class A		Class B		Class BB	
	2010	2009	2010	2009	2010	2009
Net assets, beginning of year	\$ 299,799,422	\$ 173,768,460	\$ 180,642,568	\$ 106,709,651	\$ 11,429,039	\$ -
Increase in net assets from operations	53,847,105	143,506,320	35,133,436	85,674,307	72,976	1,566,863
<b>Capital transactions (Note 4)</b>						
Proceeds from issuance of units	8,516,109	3,008,095	39,182,447	2,993,583	-	10,229,539
Redemption of units	(32,410,439)	(20,483,453)	(18,598,553)	(14,734,973)	(11,502,015)	(367,363)
Reinvestment of distributions	10,531,305	-	7,184,895	-	-	-
	(13,363,025)	(17,475,358)	27,768,789	(11,741,390)	(11,502,015)	9,862,176
<b>Distributions to unitholders</b>						
From net investment income	(377,845)	-	-	-	-	-
From net realized gains	(10,248,393)	-	(7,206,089)	-	-	-
	(10,626,238)	-	(7,206,089)	-	-	-
Net assets, end of year	\$ 329,657,264	\$ 299,799,422	\$ 236,338,704	\$ 180,642,568	\$ -	\$ 11,429,039
	Class F		Class FF		Total	
	2010	2009	2010	2009	2010	2009
Net assets, beginning of year	\$ 320,794,999	\$ 184,506,813	\$ 46,329,582	\$ -	\$ 858,995,610	\$ 464,984,924
Increase in net assets from operations	73,006,940	154,062,510	333,044	6,052,571	162,393,501	390,862,571
<b>Capital transactions (Note 4)</b>						
Proceeds from issuance of units	128,595,681	6,789,942	-	43,621,934	176,294,237	66,643,093
Redemption of units	(50,825,881)	(24,564,266)	(46,662,626)	(3,344,923)	(159,999,514)	(63,494,978)
Reinvestment of distributions	16,078,733	-	-	-	33,794,933	-
	93,848,533	(17,774,324)	(46,662,626)	40,277,011	50,089,656	3,148,115
<b>Distributions to unitholders</b>						
From net investment income	(1,719,215)	-	-	-	(2,097,060)	-
From net realized gains	(14,380,005)	-	-	-	(31,834,487)	-
	(16,099,220)	-	-	-	(33,931,547)	-
Net assets, end of year	\$ 471,551,252	\$ 320,794,999	\$ -	\$ 46,329,582	\$ 1,037,547,220	\$ 858,995,610

(See accompanying notes to the financial statements.)

## Vertex Fund

Statements of Cash Flows

For the years ended December 31

	2010	2009
<b>Operating Activities</b>		
Increase in net assets from operations	\$ 162,393,501	\$ 390,862,571
Adjustment for non-cash items:		
Net realized loss on sale of investments	(170,078,428)	(130,223,915)
Net realized gain (loss) on securities sold short	28,736,669	(11,361,607)
Transaction costs	5,580,804	5,818,439
Change in unrealized depreciation (appreciation) of investments and securities sold short	(27,810,148)	(239,809,675)
Change in unrealized depreciation (appreciation) on foreign currency	8,142,921	(8,476,054)
	<u>6,965,319</u>	<u>6,809,759</u>
Changes in operating assets and liabilities:		
Increase in accrued interest and dividends receivable	(325,156)	(4,680,389)
Increase in securities borrowing payable	593,930	64,035
Decrease in due from broker	1,829,463	5,923,057
Increase (decrease) in accounts payable and accrued liabilities	(25,761)	(160,770)
Increase (decrease) in dividends and interest payable on securities sold short	378,071	(383,099)
Increase (decrease) in performance fees payable	19,629,293	2,919,744
Increase in distributions payable	136,615	-
Increase (decrease) in due to broker	2,521,845	(6,490,448)
	<u>24,738,300</u>	<u>(2,807,870)</u>
Proceeds on disposition of investments	2,844,474,442	2,490,554,473
Purchase of investments	(2,715,090,321)	(2,661,269,933)
	<u>129,384,121</u>	<u>(170,715,460)</u>
<b>Net Cash From (provided to) Operating Activities</b>	<u>161,087,740</u>	<u>(166,713,571)</u>
<b>Financing Activities</b>		
Proceeds from sale of units	176,294,237	66,643,093
Units redeemed	(159,999,514)	(63,494,978)
Increase in subscriptions receivable	(3,125,052)	(6,557,396)
Decrease in redemptions payable	(2,175,447)	(6,670,877)
	<u>10,994,224</u>	<u>(10,080,158)</u>
<b>Net Cash From (provided to) Financing Activities</b>	<u>10,994,224</u>	<u>(10,080,158)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>172,081,964</u>	<u>(176,793,729)</u>
<b>Cash and cash equivalents, Beginning of year</b>	<u>8,973,034</u>	<u>185,766,763</u>
<b>Cash and cash equivalents, End of year</b>	<u>\$ 181,054,998</u>	<u>\$ 8,973,034</u>

(See accompanying notes to the financial statements.)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
<b>LONG</b>						
<b>BONDS</b>						
<b>Corporate Bonds</b>						
550,000	Anderson Energy Ltd.	7.500%	31-Jan-16	550,000	561,000	
2,000,000	APO Energy Inc.*	12.000%	30-Sep-13	2,031,862	1,987,301	
12,000,000	ATP Oil & Gas Corp.	11.875%	1-May-15	9,937,320	11,267,998	
4,000,000	Barclays Bank PLC	14.000%	15-Jun-19	7,948,265	7,452,512	
37,000,000	BayemLB Capital Trust I	6.203%	31-May-17	18,198,010	15,073,679	
4,000,000	Berry Plastics Corp.	10.250%	1-Mar-16	3,969,776	3,900,079	
4,000,000	Caesars Entertainment Operating Co., Inc.	12.750%	15-Apr-18	4,023,755	3,994,475	
8,850,000	CCS Inc.	11.000%	15-Nov-15	8,077,973	8,090,303	
6,450,000	Central European Media Enterprises Ltd.	3.500%	15-Mar-13	5,567,609	5,688,029	
7,300,000	Central European Media Enterprises Ltd.	11.625%	15-Sep-16	10,504,099	9,925,750	
12,300,000	Commerzbank Capital Funding Trust I	5.010%	29-Mar-49	9,445,605	9,550,835	
2,000,000	Commerzbank Capital Funding Trust II	5.905%	29-Mar-49	2,000,052	1,892,998	
5,000,000	Detour Gold Corp.*	5.500%	30-Nov-17	5,368,918	5,483,709	
3,000,000	Dillards Inc.	7.875%	1-Jan-23	1,713,960	2,876,618	
600,000	Dillards Inc.	7.750%	15-Jul-26	431,211	554,457	
2,090,500	First Uranium Corp.	4.250%	30-Jun-12	1,462,776	1,651,495	
4,000,000	General Electric Capital Corp.	6.500%	15-Sep-67	3,954,993	5,725,042	
5,373,500	Great West Life & Annuity Insurance Co.	7.153%	16-May-46	4,493,950	5,339,381	
1,500,000	ING Capital Funding TR III	3.903%	29-Dec-49	1,355,384	1,374,964	
7,000,000	Jaguar Mining Inc.	4.500%	1-Nov-14	7,022,414	6,346,943	
2,500,000	LBG Capital No.2 PLC, Series 21	15.000%	21-Dec-19	3,773,151	4,939,405	
3,750,000	LBG Capital No.2 PLC, Series 22	15.000%	21-Dec-19	4,924,333	6,486,030	
4,500,000	Liberty Mutual Group Inc.	7.000%	15-Mar-37	3,970,520	4,016,505	
2,100,000	Lincoln National Corp.	7.000%	17-May-66	1,809,036	2,034,500	
2,250,000	Livingston International Inc.	10.125%	9-Nov-15	2,251,416	2,373,750	
2,000,000	Lloyds Banking Group PLC	6.413%	10-Jan-35	1,307,592	1,381,174	
5,000,000	Lloyds Banking Group PLC *	8.000%	29-Dec-49	4,600,022	4,449,716	
2,000,000	Lloyds Banking Group PLC	6.267%	31-Dec-49	1,267,168	1,386,143	
9,822,000	Lloyds Banking Group PLC	6.267%	31-Dec-49	4,362,515	6,807,346	
6,180,000	MEGA Brands Inc.	10.000%	31-Mar-15	6,407,598	6,478,309	
30,000	Methylation Sciences Inc.*	8.000%	31-Jan-11	29,965	30,000	
2,000,000	MGM Resorts International	6.750%	1-Sep-12	1,944,422	1,977,365	
10,000,000	Mirant Corp., Escrow Shares*	2.500%	15-Jan-21	-	-	
13,700,000	National Money Mart Co.	10.375%	15-Dec-16	14,582,497	14,702,054	
1,311,100	New Gold Inc.	10.000%	28-Jun-17	1,270,471	1,406,286	
500,000	Nortel Networks Ltd.	10.750%	15-Jul-16	162,524	419,817	
25,949,000	Northgroup Preferred Capital Corp.	6.378%	29-Jan-49	19,004,292	23,776,420	
790,000	Paramount Resources Ltd.	8.250%	13-Dec-17	790,170	801,850	
9,260,000	Patriot Coal Corp.	3.250%	31-May-13	8,024,669	8,683,637	
3,400,000	SanDisk Corp.	1.000%	15-May-13	3,267,583	3,251,722	
5,000,000	Seagate HDD Cayman	7.750%	15-Dec-18	5,079,278	5,030,356	
4,000,000	Silver Standard Resources Inc.	4.500%	1-Mar-28	4,014,737	4,074,961	
22,000,000	SLM Corp.*	6.000%	10-May-12	16,516,565	21,467,366	
68,000	SLM Corp.	5.000%	15-Apr-15	51,314	65,093	
500,000	SLM Corp.	5.000%	15-Jun-18	284,777	422,287	
10,445,000	SLM Corp.	8.450%	15-Jun-18	10,160,755	10,787,185	
3,000,000	SLM Corp.	8.000%	25-Mar-20	2,888,437	3,022,417	
6,000,000	Sprint Capital Corp.	8.750%	15-Mar-32	6,058,730	6,021,522	
3,000,000	Stone Energy Corp.	6.750%	15-Dec-14	2,132,760	2,906,428	
4,000,000	The Manitowoc Co., Inc.	9.500%	15-Feb-18	4,264,557	4,352,190	
4,500,000	US Oncology Holdings Inc.	6.737%	15-Mar-12	4,551,976	4,504,963	
4,000,000	US Oncology Inc.	10.750%	15-Aug-14	4,215,143	4,118,682	
6,900,000	US Oncology Inc.	9.125%	15-Aug-17	8,658,295	8,450,253	

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
2,000,000	UT2 Funding PLC	5.321%	30-Jun-16	2,103,723	1,970,220	
26,159,000	Wachovia Capital Trust III	5.800%	31-Dec-49	18,397,812	22,548,845	
2,500,000	WMG Holdings Corp.	9.500%	15-Dec-14	1,773,749	2,378,551	
10,500,000	XL Group PLC	6.500%	15-Mar-49	8,394,163	8,972,665	
	<b>Total Corporate Bonds</b>			<b>291,354,647</b>	<b>315,233,581</b>	<b>36.32</b>
	<b>TOTAL BONDS</b>			<b>291,354,647</b>	<b>315,233,581</b>	<b>36.32</b>
<b>Number of Shares</b>	<b>STOCKS</b>					
	<b>ENERGY</b>					
3,184,211	Africa Oil Corp.			4,794,272	6,336,580	
150,000	Ambit Energy Corp., Subscription Agreement *			77,476	298,095	
1,002,887	Americas Petrogas Inc.			772,116	1,454,186	
154,700	ARC Energy Trust			3,742,884	3,930,927	
2,936,145	Athabasca Oil Sands Corp.			42,466,313	44,042,174	
158,400	Atlas Energy Inc.			6,946,298	6,914,329	
20,000	ATP Oil & Gas Corp.			998,641	1,782,187	
300,000	Australia Energy Corp., Subscription Receipts *			600,000	600,000	
1,000,000	Australia Energy Co., Ltd.*			1,012,473	2,000,000	
377,519	Avenir Diversified Income Trust			2,033,823	2,321,742	
3,544,899	Bolivar Energy Corp.			155,307	638,082	
1,060,000	Bonanza Resources Corp.			266,804	477,000	
530,000	Bonanza Resources Corp., Warrants (15Dec12)			29	151,701	
38,300	Bonavista Energy Trust			1,087,394	1,103,040	
147,982	Bonavista Energy Trust, Exchangeable Shares *			2,367,706	10,210,758	
56,994	Bridge Energy ASA, Private Placement			164,916	146,147	
800,000	Broadview Energy Ltd., Subscription Agreement *			600,000	600,000	
2,666,800	Calston Exploration Inc., Restricted Shares *			1,000,050	666,701	
1,333,400	Calston Exploration Inc., Subscription Receipts *			-	333,350	
1,333,400	Calston Exploration Inc., Warrants (17Jun13) *			-	1	
3,280,000	Canadian International Oil Corp.*			5,039,939	7,544,000	
6,710,000	Canadian International Oil Corp., Warrants (17Aug15) *			957,995	6,039,000	
137,000	Canadian Oil Sands Trust			3,756,526	3,623,650	
4,000,000	Canadian Overseas Petroleum Ltd.			2,004,391	3,400,000	
2,000,000	Canadian Overseas Petroleum Ltd., Warrants (12Jan13)			-	822,058	
500,000	Colonial Coal International Corp.			255,459	765,000	
1,363,000	East West Petroleum Corp.			1,499,300	2,126,280	
681,500	East West Petroleum Corp., Warrants (22Dec12)			-	458,570	
48,200	Enerplus Resources Fund			1,406,990	1,478,294	
1,041,666	Excelsior Energy Ltd., Warrants (01Sep15)			1,886	284,021	
1,000,000	Excelsior Energy Ltd., Warrants (11Sep11)			-	42,864	
1,818,816	Fort Chicago Energy Partners LP, Class A			14,663,713	21,607,533	
50,001	Gear Energy Ltd., Subscription Receipts *			249,325	200,004	
618,000	Geomark Exploration Ltd.			617,498	729,240	
100,000	Gran Tierra Energy Inc.			860,740	798,895	
200,000	Greenfields Petroleum Corp., Subscription Agreement			1,428,311	1,820,000	
1,083,500	Hawk Exploration Ltd., Class A			1,132,076	910,140	
571,430	La Cortez Energy Inc.			993,841	630,260	
285,715	La Cortez Energy Inc., Warrants (20Apr13)			-	30,665	
1,250,000	Longford Energy Inc., Warrants (02Jul11)			-	3,551	
2,000,000	Madison Petrogas Ltd., Subscription Agreement *			1,000,000	1,000,000	
1,000,000	Madison Petrogas Ltd., Warrants (05Oct12) *			-	1	
300,000	Mantra Resources Ltd.			2,349,820	2,383,377	
664,000	Mart Resources Inc.			330,910	451,520	
500,000	Novus Energy Inc.			511,632	550,000	
176,003	Orca Exploration Group Inc.. Class B			580,724	948,656	
5,123,333	P1 Energy Corp., Subscription Receipts *			6,917,784	14,089,166	
2,001,000	Paramax Resources Ltd.			951,701	330,165	
1,800,000	Paramax Resources, Warrants (06May12)			-	137,808	
2,305,711	Parex Resources Inc.			7,577,030	19,829,115	

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
92,000	Pengrowth Energy Trust	1,208,684	1,175,760	
164,100	Penn West Energy Trust	3,749,563	3,910,503	
1,917,000	Petroamerica Oil Corp.	1,057,378	1,131,030	
14,300,000	Petroamerica Oil Corp., Warrants (04Nov14)	-	1,244,229	
2,600,000	Petromanas Energy Inc.	1,026,531	1,014,000	
1,250,000	Petromanas Energy Inc., Warrants (26May12)	1,848	150,000	
100,000	PetroNova Inc.	114,709	151,000	
1,667,000	Porto Energy Corp.*	1,021,143	993,849	
1,667,000	Porto Energy Corp., Warrants (26Nov12) *	-	2	
1,667,000	Porto Energy Corp., Warrants (26Nov12) *	-	2	
1,667,000	Porto Energy Corp., Warrants (26Nov12) *	-	2	
500,000	Prophecy Resource Corp., Warrants (17Mar12)	821	161,784	
100,000	Provident Energy Trust	773,128	791,000	
3,200,000	Quetzal Energy Ltd., Warrants (20Apr12)	-	178,013	
3,224,500	Range Energy Resources Inc.	641,661	451,430	
5,000,000	Range Metals Inc., Warrants (21Oct11)	-	137,255	
2,000,000	Realm Energy International Corp.	1,580,808	2,180,000	
2,000,000	Realm Energy International Corp., Subscription Receipts	1,502,415	2,180,000	
2,000,000	Realm Energy International Corp., Warrants (08Dec12)	-	180,000	
8,600,000	Reliable Energy Ltd.	2,608,489	2,881,000	
396,135	Riversdale Mining Ltd.	6,456,895	6,789,941	
283,000	Rodinia Oil Corp., Warrants (19Mar12)	3,816	614,896	
3,190,000	Shoal Point Energy Ltd.	836,157	893,200	
712,909	Silverbirch Energy Corp.	4,416,753	5,061,654	
480,323	Sonde Resources Corp.	1,582,247	1,695,540	
33,000	Sonde Resources Corp., Class B, PFD *	3,479,961	3,978,656	
2,000,000	Southern Andes Energy Inc., Restricted Shares (15Dec12)	801,756	930,000	
2,000,000	Southern Andes Energy Inc., Warrants (15Dec12)	-	592,612	
498,679	Stetson Oil and Gas Ltd., PFD	20	9,974	
1,500,000	Strategic Oil & Gas Ltd.	1,278,750	1,755,000	
150,000	Stream Oil & Gas Ltd., Subscription Agreement	226,070	534,545	
75,000	Stream Oil & Gas Ltd., Warrants (24Nov12)	-	-	
400,000	Touchstone Exploration Inc.	199,892	286,171	
969,034	Touchstone Exploration Inc., Subscription Receipts	545,844	-	
484,517	Touchstone Exploration Inc., Warrants (06Jun12)	-	-	
4,666,666	Uracan Resources Ltd., Restricted Shares	1,073,333	1,353,333	
3,333,333	Uracan Resources Ltd., Warrants (24Dec12)	-	264,380	
239,000	Vermilion Energy Inc.	9,779,408	11,044,190	
220,000	Wavefront Technology Solutions Inc., Warrants (27Apr11)	-	211	
3,000	Whiting Petroleum Corp., PFD	549,612	825,157	
1,750,000	Xinergy Ltd.	4,830,000	5,967,500	
126,500	Xinergy Ltd., Warrants (21Dec11)	39,897	58,190	
	<b>TOTAL ENERGY</b>	<b>175,561,682</b>	<b>238,606,842</b>	<b>27.49</b>
	<b>MATERIALS</b>			
167,250	Alder Resources Ltd.	42,345	64,391	
1,513,512	AngloGold Ashanti Ltd., PFD	83,544,291	83,015,394	
2,991,441	Calibre Mining Corp.	447,653	358,973	
3,000,000	Calibre Mining Corp., Warrants (16Jul11)	-	34,068	
2,675,000	Castle Resources Inc.	860,733	1,230,500	
1,337,500	Castle Resources Inc., Warrants (07Oct12)	-	303,793	
1,200,000	Catalyst Copper Corp.	180,412	210,000	
600,000	Catalyst Copper Corp., Warrants (16Apr15)	-	31,412	
860,000	CB Gold Inc.	401,760	1,229,800	
830,000	CB Gold Inc., Warrants (21Oct15)	5,550	622,500	
150,000	Centurion Minerals Ltd., Warrants (01Dec12)	239	108,361	
833,200	Chemtrade Logistics Income Fund	10,130,150	12,597,983	
224,153	Chesapeake Gold Corp.	642,917	2,712,251	
28,873	Chesapeake Gold Corp., Warrants (23Feb12)	158	108,275	
700,000	Corvus Gold Inc., Private Placement	616,000	553,000	
637,500	Crosshair Exploration & Mining Corp.	497,335	2,537,250	
637,500	Crosshair Exploration & Mining Corp., Warrants (23Nov12)	-	-	
350,000	Diamond Frank Exploration Inc.	87,306	61,250	
350,000	Diamond Frank Exploration Inc., Warrants (05Apr12)	-	20,030	

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
3,846,000	Duran Ventures Inc.	499,980	980,730	
1,923,000	Duran Ventures Inc., Warrants (23Dec12)	-	301,561	
5,000,000	ESO Uranium Corp., Warrants (30Apr15)	284	535,285	
950,000	Estrella International Energy Services Ltd., Warrants (18Feb15)	-	-	
2,372,000	Excellon Resources Inc.	2,220,983	3,154,760	
250,000	Excelsior Mining Corp., Warrants (15Apr12)	-	-	
4,680,000	Farallon Mining Ltd.	3,662,999	3,697,200	
57	First Quantum Minerals Ltd.	4,697	6,146	
950,000	Prima Colombia Hardwood Inc., Restricted Shares	191,136	304,000	
950,000	Prima Colombia Hardwood Inc., Warrants (26Aug15)	-	235,782	
1,250,000	Galway Resources Ltd., Restricted Shares	1,250,000	1,387,500	
625,000	Galway Resources Ltd., Warrants (13Jan13)	-	174,164	
524,999	Galway Resources Ltd., Warrants (29Sep11)	2,066	223,146	
790,000	GMV Minerals Inc.	357,085	505,600	
395,000	GMV Minerals Inc., Warrants (27Oct12)	-	160,756	
350,000	Gold Wheaton Gold Corp.	1,754,000	1,792,000	
1,000,000	Golden Predator Royalty & Development Corp., Warrants (09Sep11)	-	150,685	
600,000	Goldgroup Mining Inc.	604,608	774,000	
240,000	Hecla Mining Co., Warrants (10Aug 14)	23,373	2,118,797	
300,000	Impact Silver Co., Warrants (29Nov12)	-	243,973	
600,000	Impact Silver Corp.	752,634	1,044,000	
1,300	Kinross Gold Corp.	24,065	24,531	
1,286,145	Kinross Gold Corp.	5,987,013	5,929,128	
188,000	Market Vectors - Gold Miners ETF	11,295,262	11,464,303	
952,765	Mazorro Resources Inc.	283,925	152,442	
2,208,299	Medoro Resources Ltd., Warrants (03Nov11)	789,497	463,743	
16,666	Mega Uranium Ltd., Warrants (06Jun12)	21	2,250	
1,636,100	NEMI Northern Energy & Mining Inc.	1,585,823	1,750,627	
7,053,598	New Gold Inc., Warrants (28Jun17)	10,752,859	19,820,610	
700,000	New Pacific Metals Corp.	945,000	1,645,000	
350,000	New Pacific Metals Corp., Warrants (22Jun11)	-	221,888	
100,000	North American Palladium Ltd.	367,438	689,000	
700,000	Northern Superior Resources Inc.	691,110	574,000	
440,000	Northland Resources SA	1,000,152	1,333,200	
687,500	Oceanic Iron Ore Corp.	276,762	618,750	
800,000	Oceanic Iron Ore Corp., Restricted Shares	401,142	720,000	
343,750	Oceanic Iron Ore Corp., Warrants (26Oct15)	-	85,938	
800,000	Oceanic Iron Ore Corp., Warrants (30Nov15)	-	-	
712,500	Oro Gold Resources Ltd., Warrants (07Jan11)	-	1	
5,225,500	Orsu Metals Corp.	1,308,804	1,776,670	
3,650,000	Orsu Metals Corp., Warrants (16Apr12)	-	343,680	
260,228	Pan American Silver Corp., Warrants (07Dec14)	547,993	3,497,464	
1,500,000	Petaquilla Minerals Ltd.*	1,500,000	1,890,956	
1,500,000	Petaquilla Minerals Ltd., Restricted Shares	1,500,000	1,605,000	
1,500,000	Petaquilla Minerals Ltd., Warrants (20Dec13)	-	571,911	
600,000	Raytec Metals Corp., Warrants (16Jun11)	-	5,635	
451,491	Regulus Resources, Inc.	424,402	505,670	
170,263	Riva Gold Corp.	4,255	328,608	
94,715	RSTK Anchor Glass *	1,872,490	4,021,475	
1,645,800	Sacre-Coeur Minerals Ltd.	2,555,964	2,090,166	
1,000,000	Seafield Resources Ltd., Restricted Shares	500,000	580,000	
1,430,000	Seafield Resources Ltd., Warrants (04Jun12)	5,531	801,212	
1,000,000	Seafield Resources Ltd., Warrants (22Dec12)	-	285,842	
157,500	Silver Wheaton Corp.	4,296,725	6,136,200	
15,592,000	Sino Resources Group Ltd.	1,937,068	866,962	
706,250	Skana Exploration Ltd., Restricted Shares *	1,530,723	2,118,750	
250,000	Strategic Metals Ltd.	564,748	550,000	
5,742,200	Sunridge Gold Corp.	6,980,380	7,292,594	
292,500	Tronox Inc., Class B	193,751	357,491	
800,000	Volta Resources Inc.	1,441,190	1,912,000	
825,000	Western Coal Corp.	9,069,891	10,147,500	
1,320,867	Wildcat Silver Corp.	902,357	792,520	
200,000	Wildcat Silver Corp., Warrants (04Jun11)	-	36,489	
	<b>TOTAL MATERIALS</b>	<b>180,317,035</b>	<b>217,599,522</b>	<b>25.07</b>

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
<b>INDUSTRIALS</b>				
<b>Capital Goods</b>				
85,000	Bucyrus International Inc.	7,718,269	7,546,528	
13,467,150	Eacom Timber Corp.	6,749,519	8,753,648	
499,429	New Flyer Industries Inc.	5,053,197	5,643,548	
	<b>Total Capital Goods</b>	<b>19,520,985</b>	<b>21,943,724</b>	<b>2.53</b>
<b>Commercial Services &amp; Supplies</b>				
375,000	Alexco Resource Corp.	3,075,000	3,075,000	
	<b>Total Commercial Services &amp; Supplies</b>	<b>3,075,000</b>	<b>3,075,000</b>	<b>0.35</b>
<b>Transportation</b>				
243,941	ACE Aviation Holdings Inc., Class A	1,666,468	3,120,005	
124,585	ACE Aviation Holdings Inc., Class B	839,366	1,592,196	
650,000	Airtran Holdings Inc.	4,856,705	4,773,001	
	<b>Total Transportation</b>	<b>7,362,539</b>	<b>9,485,202</b>	<b>1.09</b>
	<b>TOTAL INDUSTRIALS</b>	<b>29,958,524</b>	<b>34,503,926</b>	<b>3.97</b>
<b>CONSUMER DISCRETIONARY</b>				
<b>Consumer Services</b>				
3,500	Las Vegas Sands Corp., PFD	1,126,419	2,642,071	
725,000	Whistler Blackcomb Holdings Inc.	8,821,552	8,707,250	
	<b>Total Consumer Services</b>	<b>9,947,971</b>	<b>11,349,321</b>	<b>1.31</b>
<b>Consumer Durables &amp; Apparel</b>				
8,544,000	MEGA Brands Inc., Warrants (30Mar15)	27,703	2,221,440	
	<b>Total Consumer Durables &amp; Apparel</b>	<b>27,703</b>	<b>2,221,440</b>	<b>0.26</b>
<b>Media</b>				
83,298	Ascent Media Corporation, Class A	2,547,362	3,208,131	
683,164	Promotora de Informaciones SA	6,165,888	6,414,909	
	<b>Total Media</b>	<b>8,713,250</b>	<b>9,623,040</b>	<b>1.11</b>
<b>Retailing</b>				
224,900	Dillards Inc., Class A	5,190,982	8,476,293	
1,835,000	Liquidation World Inc.	1,566,743	2,055,200	
	<b>Total Retailing</b>	<b>6,757,725</b>	<b>10,531,493</b>	<b>1.21</b>
	<b>TOTAL CONSUMER DISCRETIONARY</b>	<b>25,446,649</b>	<b>33,725,294</b>	<b>3.89</b>
<b>CONSUMER STAPLES</b>				
<b>Food Beverage &amp; Tobacco</b>				
11,000	Bunge Ltd., PFD	1,043,253	1,023,063	
193,700	Del Monte Foods Co.	3,668,107	3,618,438	
50,000	Maple Leaf Foods Inc.	525,318	569,500	
	<b>Total Food Beverage &amp; Tobacco</b>	<b>5,236,678</b>	<b>5,211,001</b>	<b>0.60</b>
	<b>TOTAL CONSUMER STAPLES</b>	<b>5,236,678</b>	<b>5,211,001</b>	<b>0.60</b>
<b>HEALTH CARE</b>				
<b>Health Care Equipment &amp; Services</b>				
95,000	Alcon Inc.	15,384,735	15,420,662	
750,000	Haemacure Corp., Series A, Warrants (05Jan12) *	-	1	
750,000	Haemacure Corp., Series B, Warrants (16Jan12) *	-	1	
36,499	Sun Healthcare Group Inc.	448,065	458,055	
	<b>Total Health Care Equipment &amp; Services</b>	<b>15,832,800</b>	<b>15,878,719</b>	<b>1.83</b>
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences</b>				
120,000	Genzyme Corp.	8,821,398	8,494,520	
50,000	Indevus Pharmaceuticals Inc.*	-	32,790	
350,000	King Pharmaceuticals Inc.	4,998,732	4,886,277	
175,000	MSI Methylation Sciences Inc., Class B *	175,000	175,000	
	<b>Total Pharmaceuticals, Biotechnology &amp; Life Sciences</b>	<b>13,995,130</b>	<b>13,588,587</b>	<b>1.57</b>
	<b>TOTAL HEALTH CARE</b>	<b>29,827,930</b>	<b>29,467,306</b>	<b>3.40</b>

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
<b>FINANCIALS</b>				
<b>Banks</b>				
350,000	Marshall & Ilsley Corp.	2,415,891	2,406,622	
10,864	Wells Fargo & Co., PFD	8,126,596	10,795,020	
	<b>Total Banks</b>	<b>10,542,487</b>	<b>13,201,642</b>	<b>1.52</b>
<b>Diversified Financials</b>				
3,188	Bank of America Corp., PFD	3,038,576	3,021,091	
349,288	Davis & Henderson Income Fund	5,781,603	6,926,381	
359,438	Dundee Corp., Class A	5,401,462	7,350,507	
596,071	Guardian Capital Group Ltd., Class A	2,458,486	5,126,211	
96,929	ING Groep NV, 7.05% PFD	2,006,286	2,199,802	
176,279	ING Groep NV, 7.20% PFD	3,756,242	4,049,693	
125,000	iPATH S&P 500 VIX Mid-Term Futures ETN	8,369,501	8,135,513	
1,666,700	Mira Resources Corp., Restricted Shares	500,010	683,347	
1,666,700	Mira Resources Corp., Warrants (17Jun12)	-	282,232	
375,000	Newstrike Capital Inc.	151,230	326,250	
	<b>Total Diversified Financials</b>	<b>31,463,396</b>	<b>38,101,027</b>	<b>4.39</b>
<b>Insurance</b>				
1,450,000	AXA Asia Pacific Holdings Ltd.	9,101,803	9,319,108	
124,500	CNA Surety Corp.	2,926,343	2,928,204	
20,000	Greenlight Capital Re Ltd., Class A	574,305	532,795	
294,000	Hartford Financial Services Group Inc., PFD	7,866,575	7,458,162	
412,200	XL Group PLC, PFD	12,493,113	12,664,299	
	<b>Total Insurance</b>	<b>32,962,139</b>	<b>32,902,568</b>	<b>3.79</b>
<b>Real Estate</b>				
19,368	Crombie Real Estate Investment Trust	146,703	244,424	
191,058	Dundee Real Estate Investment Trust	3,464,933	5,769,952	
1,963,291	Extendicare Real Estate Investment Trust	18,514,545	18,023,011	
99,999	Sabra Healthcare REIT Inc.	2,604,012	1,825,318	
4,000	Sovereign Real Estate Investment Trust	4,816,078	4,531,047	
	<b>Total Real Estate</b>	<b>29,546,271</b>	<b>30,393,752</b>	<b>3.50</b>
	<b>TOTAL FINANCIALS</b>	<b>104,514,293</b>	<b>114,598,989</b>	<b>13.20</b>
<b>INFORMATION TECHNOLOGY</b>				
<b>Software &amp; Services</b>				
200,000	Infocast Corp., Restricted Shares*	15,963	20	
1,508,544	KAB Distribution Inc.	(7,410)	1,504	
30,414	Lucent Technologies Capital Trust I, PFD	23,410,575	26,775,707	
168,500	McAfee Inc.	8,173,123	7,753,689	
	<b>Total Software &amp; Services</b>	<b>31,592,251</b>	<b>34,530,920</b>	<b>3.98</b>
<b>Technology Hardware &amp; Equipment</b>				
40,000	Apple Inc.	12,703,341	12,817,297	
50,000	CommScope Inc.	1,610,533	1,550,095	
450,000	Motorola Inc.	3,804,446	4,046,642	
	<b>Total Technology Hardware &amp; Equipment</b>	<b>18,118,320</b>	<b>18,414,034</b>	<b>2.12</b>
	<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>49,710,571</b>	<b>52,944,954</b>	<b>6.10</b>
<b>TELECOMMUNICATIONS SERVICES</b>				
16,000	Crown Castle International Corp., PFD	990,354	973,778	
30,000	Motorola Inc.	1,204,127	1,132,762	
299,094	Windstream Corp.	3,208,174	4,142,897	
	<b>TOTAL TELECOMMUNICATIONS SERVICES</b>	<b>5,402,655</b>	<b>6,249,437</b>	<b>0.72</b>
<b>UTILITIES</b>				
1,493,099	Capital Power Income LP	19,902,214	26,801,127	
148,970	Macquarie Power & Infrastructure Contingency Value Receipts *	-	-	
	<b>TOTAL UTILITIES</b>	<b>19,902,214</b>	<b>26,801,127</b>	<b>3.09</b>
	<b>TOTAL STOCKS</b>	<b>625,878,231</b>	<b>759,708,398</b>	<b>87.53</b>

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
<b>FORWARD CONTRACTS</b>				
	Sell USD 20,000,000, Buy CAD 20,519,660 @ 1.025983 - January 05, 2011	-	644,346	
	Sell USD 10,000,000, Buy CAD 10,063,680 @ 1.006368 - January 06, 2011	-	125,874	
	Sell USD 10,000,000, Buy CAD 10,181,760 @ 1.018176 - January 11, 2011	-	242,817	
	Sell USD 25,000,000, Buy CAD 25,500,800 @ 1.020032 - January 19, 2011	-	649,030	
	Sell USD 10,000,000, Buy CAD 10,109,090 @ 1.010909 - January 20, 2011	-	168,243	
	Sell USD 25,000,000, Buy CAD 25,503,650 @ 1.020146 - January 21, 2011	-	650,781	
	Sell USD 10,000,000, Buy CAD 10,205,090 @ 1.020509 - January 21, 2011	-	263,939	
	Sell USD 25,000,000, Buy CAD 25,504,275 @ 1.020171 - January 21, 2011	-	651,406	
	Sell USD 25,000,000, Buy CAD 25,519,825 @ 1.020793 - February 22, 2011	-	649,979	
	Sell USD 25,000,000, Buy CAD 25,453,575 @ 1.018143 - January 05, 2011	-	609,497	
	Sell USD 750,000, Buy CAD 764,232 @ 1.018976 - January 12, 2011	-	18,794	
	Sell USD 25,000,000, Buy CAD 25,462,900 @ 1.018516 - January 24, 2011	-	608,429	
	Sell USD 10,000,000, Buy CAD 10,158,460 @ 1.015846 - January 06, 2011	-	220,619	
	Sell USD 25,000,000, Buy CAD 25,403,650 @ 1.016146 - January 06, 2011	-	559,044	
	Sell USD 25,000,000, Buy CAD 25,403,650 @ 1.016146 - January 06, 2011	-	559,044	
	Sell USD 20,000,000, Buy CAD 20,327,600 @ 1.01638 - February 23, 2011	-	431,491	
	Sell USD 25,000,000, Buy CAD 25,402,550 @ 1.016102 - January 24, 2011	-	548,141	
	Sell USD 10,000,000, Buy CAD 10,126,420 @ 1.012642 - January 07, 2011	-	188,374	
	Sell USD 20,000,000, Buy CAD 20,254,840 @ 1.012742 - January 07, 2011	-	378,747	
	<b>TOTAL FORWARD CONTRACTS</b>	-	8,168,595	0.94
<b>OPTIONS</b>				
<b>Call Options</b>				
5,000	CBS Corp., Class B, Jan/12.5	1,106,227	3,179,680	
5,000	CBS Corp., Class B, Jan/12.5	1,770,962	3,477,775	
5,500	CBS Corp., Class B, Jan/20	127,001	109,302	
1,000	Dillards Inc., Jan/40	129,698	59,619	
27,000	iShares Silver Trust, Jan/20	4,338,767	27,096,835	
18,000	iShares Silver Trust, Jan/20	8,348,295	19,405,984	
250	Novartis AG, Apr/60	50,564	42,230	
1,300	Savient Pharmaceutical Inc., Jan/22.5	452,623	-	
250	Southwest Airlines Co., Jan/14	17,627	1,242	
46,980	Sprint Nextel Corp., Jan/4	4,102,100	3,967,943	
	<b>Total Call Options</b>	20,443,864	57,340,610	6.61
<b>Put Options</b>				
303	Airtran Holdings Inc., Apr/6	3,224	-	
426	Genzyme Corp., Apr/65	122,216	56,722	
	<b>Total Put Options</b>	125,440	56,722	0.01
	<b>TOTAL OPTIONS</b>	20,569,304	57,397,332	6.62
	<b>TOTAL LONG</b>	937,802,182	1,140,507,906	131.41
	<b>TOTAL SHORT (Schedule 1)</b>	(280,922,698)	(272,637,112)	(31.41)
	<b>TOTAL INVESTMENTS</b>	656,879,484	867,870,794	100.00
	<b>Transaction Costs (Note 2)</b>	(1,001,546)		
	<b>TOTAL INVESTMENTS</b>	655,877,938	867,870,794	100.00

\* Denotes a manually price security using a fair valuation model.

# Vertex Fund

## Statement of Investments

As at December 31, 2010

### Schedule 1

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Proceeds \$	Fair Value \$	% of Total
<b>SHORT</b>						
<b>BONDS</b>						
<b>Corporate Bonds</b>						
(2,000,000)	WMG Acquisition Corp.	9.500%	15-Jun-16	(2,186,712)	(2,151,253)	
	<b>Total Corporate Bonds</b>			<u>(2,186,712)</u>	<u>(2,151,253)</u>	(0.25)
	<b>TOTAL BONDS</b>			<u>(2,186,712)</u>	<u>(2,151,253)</u>	(0.25)
<b>STOCKS</b>						
<b>ENERGY</b>						
(25,000)	Atlas Pipeline Partners LP			(643,204)	(613,579)	
(900,000)	Oilexco Inc.			(137,304)	(58,500)	
(350,000)	Patriot Coal Corp.			(5,812,886)	(6,739,932)	
(155,000)	Progress Energy Resources Corp.			(1,687,665)	(1,970,050)	
	<b>TOTAL ENERGY</b>			<u>(8,281,059)</u>	<u>(9,382,061)</u>	(1.08)
<b>MATERIALS</b>						
(108,500)	Centurion Minerals Ltd.			(288,333)	(166,005)	
(32,600)	Franco-Nevada Corp.			(1,051,976)	(1,086,884)	
(500,000)	Nevsun Resources Ltd.			(3,100,087)	(3,750,000)	
(10,000)	Proshares UltraShort Gold			(314,580)	(275,937)	
(28,330)	Walter Energy Inc.			(3,134,288)	(3,600,400)	
	<b>TOTAL MATERIALS</b>			<u>(7,889,264)</u>	<u>(8,879,226)</u>	(1.02)
<b>INDUSTRIALS</b>						
<b>Capital Goods</b>						
(200,000)	The Manitowoc Co., Inc.			(2,232,961)	(2,605,352)	
	<b>Total Capital Goods</b>			<u>(2,232,961)</u>	<u>(2,605,352)</u>	(0.30)
<b>Transportation</b>						
(51,250)	Southwest Airlines Co.			(675,899)	(661,001)	
	<b>Total Transportation</b>			<u>(675,899)</u>	<u>(661,001)</u>	(0.08)
	<b>TOTAL INDUSTRIALS</b>			<u>(2,908,860)</u>	<u>(3,266,353)</u>	(0.38)
<b>CONSUMER DISCRETIONARY</b>						
<b>Retailing</b>						
(280,000)	Barnes & Noble Inc.			(4,328,388)	(3,953,537)	
(200,000)	Indigo Books & Music Inc.			(2,904,014)	(2,930,000)	
	<b>Total Retailing</b>			<u>(7,232,402)</u>	<u>(6,883,537)</u>	(0.79)
<b>Media</b>						
(833,492)	Central European Media Enterprises Ltd., Class A			(19,331,378)	(16,853,866)	
(299,500)	Media General Inc., Class A			(1,766,974)	(1,723,094)	
(502,071)	Warner Music Group Corp.			(2,543,043)	(2,818,690)	
	<b>Total Media</b>			<u>(23,641,395)</u>	<u>(21,395,650)</u>	(2.47)
	<b>TOTAL CONSUMER DISCRETIONARY</b>			<u>(30,873,797)</u>	<u>(28,279,187)</u>	(3.26)

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

### Schedule 1

Number of Shares	Description	Proceeds \$	Fair Value \$	% of Total
<b>HEALTH CARE</b>				
<b>Health Care Equipment &amp; Services</b>				
(82,152)	Loewen Group Inc.*	(4,721)	-	
(10,000)	Loewen Group Inc., PFD.*	(393)	-	
	<b>Total Health Care Equipment &amp; Services</b>	<b>(5,114)</b>	<b>-</b>	<b>-</b>
<b>Pharmaceuticals &amp; Biotechnology</b>				
(30,000)	Novartis AG, ADR	(1,601,600)	(1,757,867)	
	<b>Total Pharmaceuticals &amp; Biotechnology</b>	<b>(1,601,600)</b>	<b>(1,757,867)</b>	<b>(0.20)</b>
	<b>TOTAL HEALTH CARE</b>	<b>(1,606,714)</b>	<b>(1,757,867)</b>	<b>(0.20)</b>
<b>FINANCIALS</b>				
<b>Banks</b>				
(44,000)	Bank of Montreal	(2,542,948)	(2,529,120)	
(91,800)	Bank of Nova Scotia	(4,918,931)	(5,241,780)	
	<b>Total Banks</b>	<b>(7,461,879)</b>	<b>(7,770,900)</b>	<b>(0.90)</b>
<b>Diversified Financials</b>				
(141,733)	CurrencyShares British Pound Sterling Trust	(22,824,809)	(21,937,568)	
(257,200)	CurrencyShares Euro Trust	(35,252,502)	(34,046,626)	
(100,000)	CurrencyShares Japanese Yen Trust	(11,882,219)	(12,095,708)	
(12,009)	Horizons BetaPro NYMEX Natural Gas Bull Plus ETF, Class A	(139,861)	(80,220)	
(204,999)	iPATH S&P 500 VIX Short-Term Futures ETN	(10,196,932)	(7,648,836)	
(50,000)	iShares Barclays 1-3 Year Treasury Bond Fund	(4,220,220)	(4,172,339)	
(350,000)	iShares Barclays 20+ Year Treasury Bond Fund	(33,728,956)	(32,736,315)	
(71,000)	iShares MSCI EMU Index Fund	(2,577,645)	(2,488,270)	
(428,450)	iShares S&P National Municipal Bond Fund	(43,193,242)	(42,262,176)	
(636,000)	iShares S&P/TSX Capped Energy Fund	(11,964,609)	(12,879,000)	
(221,107)	SPDR Barclays Capital International Treasury Bond ETF	(12,764,162)	(12,843,843)	
(250,000)	SPDR Lehman Municipal Bond ETF	(5,637,838)	(5,437,753)	
(112,500)	United States Oil Fund LP	(4,043,656)	(4,359,642)	
	<b>Total Diversified Financials</b>	<b>(198,426,651)</b>	<b>(192,988,296)</b>	<b>(22.23)</b>
<b>Insurance</b>				
(200,000)	AMP Ltd.	(1,011,480)	(1,085,762)	
(130,000)	XL Group PLC	(2,646,833)	(2,819,881)	
	<b>Total Insurance</b>	<b>(3,658,313)</b>	<b>(3,905,643)</b>	<b>(0.45)</b>
<b>Real Estate</b>				
(400,000)	The St Joe Co.	(7,481,385)	(8,688,481)	
	<b>Total Real Estate</b>	<b>(7,481,385)</b>	<b>(8,688,481)</b>	<b>(1.00)</b>
	<b>TOTAL FINANCIALS</b>	<b>(217,028,228)</b>	<b>(213,353,320)</b>	<b>(24.58)</b>
<b>INFORMATION TECHNOLOGY</b>				
<b>Technology Hardware &amp; Equipment</b>				
(600,000)	Alcatel-Lucent/France, ADR	(1,738,803)	(1,764,724)	
(300,000)	L-1 Identity Solutions Inc.	(3,567,419)	(3,556,275)	
(2,500,000)	Nortel Networks Corp.	(4,487,801)	(34,408)	
	<b>Total Technology Hardware &amp; Equipment</b>	<b>(9,794,023)</b>	<b>(5,355,407)</b>	<b>(0.62)</b>
	<b>TOTAL INFORMATION TECHNOLOGY</b>	<b>(9,794,023)</b>	<b>(5,355,407)</b>	<b>(0.62)</b>
	<b>TOTAL STOCKS</b>	<b>(278,381,945)</b>	<b>(270,273,421)</b>	<b>(31.14)</b>

(See accompanying notes to the financial statements)

# Vertex Fund

## Statement of Investments

As at December 31, 2010

### Schedule 1

Number of Shares	Description	Proceeds \$	Fair Value \$	% of Total
<b>OPTIONS</b>				
<b>Call Options</b>				
(370)	Bucyrus International Inc., Jan/90	(7,927)	(4,044)	
(150)	Crown Castle Interational, Jan/44	(14,857)	(11,924)	
(350)	Genzyme Corp., Jan/70	(116,102)	(82,771)	
(870)	Genzyme Corp., Jan/72.5	(180,532)	(76,938)	
(10)	Whiting Petroleum Corp., Jan/115	(3,509)	(4,571)	
(23)	Whiting Petroleum Corp., Jan/120	(3,812)	(4,685)	
	<b>Total Call Options</b>	<b>(326,739)</b>	<b>(184,933)</b>	<b>(0.02)</b>
<b>Put Options</b>				
(370)	Bucyrus International Inc., Jan/85	(9,058)	(11,030)	
(76)	Genzyme Corp., Jan/65	(10,175)	(4,551)	
(100)	Southwest Airlines Co., Jan/14	(8,069)	(11,924)	
	<b>Total Put Options</b>	<b>(27,302)</b>	<b>(27,505)</b>	<b>-</b>
	<b>TOTAL OPTIONS</b>	<b>(354,041)</b>	<b>(212,438)</b>	<b>(0.02)</b>
	<b>TOTAL SHORT</b>	<b>(280,922,698)</b>	<b>(272,637,112)</b>	<b>(31.41)</b>

(See accompanying notes to the financial statements)

# **Vertex Fund**

## **Notes to Financial Statements**

### **December 31, 2010 and 2009**

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#### **1. Establishment of trust**

Vertex Fund (the "Fund") was created on December 3, 2001 under the laws of British Columbia. Vertex One Asset Management Inc. is the Investment Manager, Computershare Trust Company of Canada is the Trustee of the Fund, and TD Securities is the custodian of the Fund. The Fund commenced operations on January 1, 2002, and Class BB and Class FF commenced operations on May 5, 2009. These financial statements have been prepared for the year ended December 31, 2010 and 2009.

The investment objective of the Fund is to maximize returns on an absolute basis. The Fund searches for investment opportunities on a global basis and unlike many hedge funds, the Fund does not use futures and leveraging is restricted to 15% of total portfolio assets.

#### **2. Significant accounting policies**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

#### **Fair Value Disclosure**

In accordance with amendments to CICA Section 3862, Financial Instruments – Disclosures the Fund is required to disclose the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

Amendments to CICA 3862, Financial Instruments – Disclosures, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

#### **Valuation of investments and securities sold short**

The valuation methods adopted pursuant to Section 3855, which are discussed below, differ from methods used by the Fund in striking its net asset value (NAV) used in the processing of unitholder transactions during the year. The NAV continues to be computed using the Fund's previous valuation

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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policies for actively traded securities, which are that listed securities are valued at the last reported sales price on the principal exchange on which the security trades (transactional NAV).

As at December 31, 2010 and 2009, the Fund’s net asset value per unit was:

As at December 31	Net Assets Per Unit		Net Asset Value Per Unit	
	2010	2009	2010	2009
Class A	\$ 71.32	\$ 61.86	\$ 71.16	\$ 61.55
Class B	10.43	9.11	10.41	9.06
Class BB	-	14.40	-	14.34
Class F	68.04	59.15	67.88	58.85
Class FF	-	14.45	-	14.39

The difference between the net asset value per unit and the net assets per unit reported in the Statement of Net Assets results from the use of different valuation methodologies discussed above.

For financial statement purposes, the fair value of the Fund’s investments is determined as follows:

Investments are categorized as held for trading in accordance with Section 3855. Investments are recorded at fair value, established by the bid price for a long security and ask price for short security on the recognized exchange on which it is principally traded (GAAP Net Assets). The value of any security which is not listed or traded on an exchange, but which is listed or traded on another market, including an over-the-counter market, (being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof), shall be determined in the same manner as a listed security by reference to prices on that market.

Warrants if listed on a recognized exchange are valued at the latest available bid price. If the warrants are not listed, but a secondary market exists then the average price of two independent brokers (if available), who trade in such market will be used. If no secondary market exists, the warrants will be valued using industry accepted techniques in accordance with Section 3855 methodologies.

The value of any security or property for which, in the opinion of the Investment Manager the published market quotations are not readily available shall be the fair value as determined by the Investment Manager based on valuation techniques. The fair value of certain securities are determined by using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparison with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would have used had a ready market for the investment existed.

Investment purchase and sale transactions are recorded on trade date and realized and unrealized gains and losses on investments are determined using average cost.

## **Vertex Fund**

### **Notes to Financial Statements**

### **December 31, 2010 and 2009**

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Under the terms of the prime brokerage service level agreement with the custodian, Toronto Dominion Securities Inc. (TDSI), the margin for the investments sold short can be represented by a combination of cash, government debt securities and high quality common shares. TDSI follows the Investment Industry Regulatory Organization of Canada's (IIROC) methodology to calculate margin; however, TDSI reviews and can reduce the loan value of a particular security. As at December 31, 2010, margin on investments sold short was represented by common shares included in the investments held at market value.

#### **Other assets and liabilities**

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends receivable, amounts due from brokers, subscriptions receivable and other assets are designated as loans and other receivables and recorded at cost or amortized cost. Similarly, amount due to brokers, accounts payable and accrued liabilities, redemptions payable dividends and interest payable on securities sold short, securities borrowing fees payable and distribution payable are designated as other financial liabilities and reported at cost or amortized cost.

#### **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. In accordance with Section 3855, transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. The embedded transaction costs in the cost of investment portfolio as at December 31, 2010 are disclosed in the Statement of Investments.

#### **Recognition of income and expenses**

The accrual method of recording income and expenses is followed by the Fund with dividends being recorded on the ex-dividend date. Realized gains and losses on investments and unrealized appreciation (depreciation) in the value of investments are calculated using the average cost of the related investments. Income, realized gain (loss) and unrealized gain (loss) are allocated among the classes on a pro-rata basis. Distributions received from income trusts are recorded as income, capital gains or return of capital based on the best information available to the Fund. Distributions that are treated as return of capital for income tax purposes reduce the average cost of the underlying income trust.

#### **Purchase and redemption of units**

The value at which units are issued or redeemed is determined by dividing the net assets at fair value of the Fund applicable to that class by the total number of units of that class outstanding on the valuation date, which is the last business day of each month or any other business day specified by the Investment Manager from time to time. For purposes of purchase and redemption of units, the net asset value as described above is used, which differs from the net assets per unit in the Statements of Net Assets. Amounts received on the issuance of units and amounts paid on the redemption of units are added to or deducted from unitholders' equity.

# **Vertex Fund**

## **Notes to Financial Statements**

### **December 31, 2010 and 2009**

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#### **Forward contracts**

The Fund enters into forward contracts to manage risk or to achieve desired returns. Gain or losses are realized based on the settlement term of the forward contracts and are included in the Statements of Operations. Fair values for forward contracts are based on the gain or loss that would arise as a result of closing the position at the valuation date; these values generally reflect the estimated amount that would be received or paid to terminate the contract at the year-end date. Included in cash and cash equivalents is an amount held with broker for collateral in respect of forward contracts, 2010 - \$28,429,042 (2009 - \$9,002,404).

#### **Options**

Options may be used by the Fund, but only to the extent considered appropriate by the Manager. Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Statement of Investments. Exchange traded options are valued at current fair value and over the counter options are valued using industry-accepted modeling techniques on each valuation day, based on the value that would be realized if the option was closed out in the valuation date.

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – realized gains will arise equal to the intrinsic value of the option; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling options to close the position net of any premium paid.

Realized gains and losses relating to written options may arise from:

- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in “realized gain (loss) on sale of investments” in the Statements of Operations.

#### **Foreign currency translation**

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date.

# **Vertex Fund**

## **Notes to Financial Statements**

### **December 31, 2010 and 2009**

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#### **Increase (decrease) in net assets from operations for each Class**

Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the net increase (decrease) in net assets from operations for the year, divided by the average weighted units outstanding during the year.

#### **Securities sold short**

The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must deliver the security sold short to the purchaser at a future date. A gain, limited to the proceeds received on the security sold short, or a loss, unlimited in size, will be realized when the securities to cover the short sale obligation are acquired by the Fund. Securities sold short are reported in the financial statements as a liability at the current fair value as described above under Valuation of investments and securities sold short. Dividends and interest on these securities sold short are payable to the purchaser and are recognized as an expense and include withholding taxes, if applicable.

#### **Repurchase agreements, reverse repurchase agreements and loans**

The Fund engages in repurchase agreements (“Repo”) which are, in effect, short-term lending arrangements that are usually collateralized by securities. A Repo transaction consists of the purchase of securities for immediate cash settlement along with an agreement by the counterparty in the transaction to repurchase the securities at a higher price at a later date. The difference in price represents an interest charge to the counterparty for the use of cash lent by the Fund during the course of the agreement. The counterparty to a Repo transaction may engage in a reverse repurchase agreement (“Reverse Repo”), that is, the sale of securities with an agreement to repurchase them at a later date.

#### **Future accounting changes**

In January 2011, the Accounting Standards Board (AcSB) of the CICA approved a further one year deferral of adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2013.

### **3. Fair Value Disclosure**

The Fund’s assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 2 for a discussion of the Fund’s policies regarding this hierarchy. The following fair value hierarchy table presents information about the Fund’s assets measured at fair value on a recurring basis as of December 31, 2010.

# Vertex Fund

## Notes to Financial Statements

December 31, 2010 and 2009

### Financial Assets at fair value as at December 31, 2010

	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 639,437,316	\$ 24,102,771	\$ 50,753,570	\$ 714,293,657
Bonds - Long	-	281,815,489	33,418,092	315,233,581
Warrants	22,674,508	16,701,223	6,039,010	45,414,741
Options	57,397,332	-	-	57,397,332
Forward contracts	-	8,168,595	-	8,168,595
	<u>\$ 719,509,156</u>	<u>\$ 330,788,078</u>	<u>\$ 90,210,672</u>	<u>\$ 1,140,507,906</u>

### Financial Liabilities at fair value as at December 31, 2010

	Level 1	Level 2	Level 3	Total
Equities - Short	\$ (270,180,513)	\$ (92,908)	\$ -	\$ (270,273,421)
Bonds - Short	-	(2,151,253)	-	(2,151,253)
Option contracts	(212,438)	-	-	(212,438)
	<u>\$ (270,392,951)</u>	<u>\$ (2,244,161)</u>	<u>\$ -</u>	<u>\$ (272,637,112)</u>

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2009.

### Financial Assets at fair value as at December 31, 2009

	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 400,741,301	\$ 25,561,780	\$ 115,477,397	\$ 541,780,478
Bonds - Long	-	342,884,158	41,590,942	384,475,100
Warrants	4,892,064	3,104,740	12,857,187	20,853,991
Forward contracts	-	533,049	-	533,049
	<u>\$ 405,633,365</u>	<u>\$ 372,083,727</u>	<u>\$ 169,925,526</u>	<u>\$ 947,642,618</u>

### Financial Liabilities at fair value as at December 31, 2009

	Level 1	Level 2	Level 3	Total
Equities - Short	\$ (99,815,193)	\$ -	\$ (57,506)	\$ (99,872,699)
Bonds - Short	-	(3,681,368)	(818,980)	(4,500,348)
Forward contracts	-	(242,524)	-	(242,524)
Option contracts	(1,063,700)	-	-	(1,063,700)
	<u>\$ (100,878,893)</u>	<u>\$ (3,923,892)</u>	<u>\$ (876,486)</u>	<u>\$ (105,679,271)</u>

The following were the transfers between Levels 1 and 2 from December 31, 2009 to December 31, 2010:

	Transfer from level 1 to level 2 2010	Transfer from level 2 to level 1 2010
Equities - Long	\$ 34,408	\$ 26,775,707

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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The following were the transfers between Levels 1 and 2 from December 31, 2008 to December 31, 2009:

	<b>Transfer from level 1 to level 2</b>	<b>Transfer from level 2 to level 1</b>
	<b>2009</b>	<b>2009</b>
Equities - Long	\$ 15,737,566	\$ 543,910

The following is a reconciliation of Level 3 fair value measurements from December 31, 2009 to December 31, 2010:

	<b>Fair value measurements using level 3 inputs</b>		
	<b>Warrants</b>	<b>Equities - Long</b>	<b>Bonds - Long</b>
<b>Balance at December 31, 2009</b>	\$ 12,857,187	\$ 115,477,397	\$ 41,590,942
Net purchases and sales	(346,633)	172,589	(12,936,039)
Net transfers in (out)	(7,687,522)	(14,858,058)	1,951,628
Gains (Losses)			
Realized	1,427,284	3,610,353	4,273,281
Unrealized	(211,306)	(53,648,711)	(1,461,720)
<b>Balance at December 31, 2010</b>	<b>\$ 6,039,010</b>	<b>\$ 50,753,570</b>	<b>\$ 33,418,092</b>
Total change in unrealized gain (loss) during the period for assets held at December 31, 2010	\$ 5,018,817	\$ 15,599,470	\$ (80,041)

	<b>Fair value measurements using level 3 inputs</b>	
	<b>Equities - Short</b>	<b>Bonds - Short</b>
<b>Balance at December 31, 2009</b>	\$ (57,506)	\$ (818,980)
Net purchases and sales	-	749,708
Net transfers in (out)	58,500	-
Gains (Losses)		
Realized	-	(221,021)
Unrealized	(994)	290,293
<b>Balance at December 31, 2010</b>	<b>\$ -</b>	<b>\$ -</b>
Total change in unrealized gain (loss) during the period for assets held at December 31, 2010	\$ -	\$ -

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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The following is a reconciliation of Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

	<b>Fair value measurements using level 3 inputs</b>		
	<b>Warrants</b>	<b>Equities - Long</b>	<b>Bonds - Long</b>
<b>Balance at December 31, 2008</b>	\$ -	\$ 90,759,892	\$ 10,116,873
Net purchases and sales	-	27,562,635	4,795,777
Net transfers in (out)	12,857,187	(87,195,900)	26,427,444
Gains (Losses)			
Realized	-	24,754,114	1,785,250
Unrealized	-	59,596,656	(1,534,402)
<b>Balance at December 31, 2009</b>	\$ 12,857,187	\$ 115,477,397	\$ 41,590,942
Total change in unrealized gain (loss) during the period for assets held at December 31, 2009	\$ -	\$ 59,596,656	\$ (1,534,402)

	<b>Fair value measurements using level 3 inputs</b>	
	<b>Equities - Short</b>	<b>Bonds - Short</b>
<b>Balance at December 31, 2008</b>	\$ -	\$ -
Net purchases and sales		
Net transfers in (out)	(57,506)	-
Gains (Losses)		
Realized	-	-
Unrealized	-	(818,980)
<b>Balance at December 31, 2009</b>	\$ (57,506)	\$ (818,980)
Total change in unrealized gain (loss) during the period for assets held at December 31, 2009	\$ -	\$ (818,980)

**Level 3 sensitivity analysis**

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of \$90,210,672 as of December 31, 2010 (2009 - \$ 169,049,040). The unobservable inputs used in the valuation of these financials instruments primarily include key variables, current market conditions and recent financing by the company, if any. These securities are affected by market activity in their relevant sectors and therefore generally fluctuate similarly.

If relevant market-related inputs increased or decreased by 5% with all other variables remaining constant, net assets would have possibly increased or decreased by approximately \$4,510,533 (2009 - \$8,387,411).

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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**4. Unitholders' equity**

Unitholders' equity includes amounts representing net fund unit subscriptions, undistributed net income, undistributed realized gains (losses) on the sale of investments and unrealized appreciation (depreciation) in the value of investments. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in the Financial Risk Management notes (Note 11), the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of units for the year:

	2010				
	Class A	Class B	Class BB	Class F	Class FF
Units - Beginning of year	4,846,415	19,829,644	793,620	5,423,440	3,206,530
Units issued	126,960	4,055,330	-	2,074,573	-
Units reinvested	148,005	690,437	-	236,854	-
Units redeemed	(499,133)	(1,915,601)	(793,620)	(804,224)	(3,206,530)
Units - End of year	4,622,247	22,659,810	-	6,930,643	-

  

	2009				
	Class A	Class B	Class BB	Class F	Class FF
Units - Beginning of year	5,232,701	21,665,590	-	5,808,972	-
Units issued	87,460	447,287	821,012	181,773	3,450,053
Units reinvested	-	-	-	-	-
Units redeemed	(473,746)	(2,283,233)	(27,392)	(567,305)	(243,523)
Units - End of year	4,846,415	19,829,644	793,620	5,423,440	3,206,530

**5. Related party transactions**

During the period from December 9 to December 21, 2010, Vertex Offshore Fund Ltd (“Vertex Offshore”) and Vertex Fund, both managed by Vertex One Asset Management Inc., engaged in transactions whereby Vertex Offshore sold certain investment holdings to Vertex Fund. The transactions were performed at the fair market value of the securities in question as at their respective transaction dates, with a total consideration of \$9,058,999 being paid by Vertex Fund to Vertex Offshore.

## **Vertex Fund**

### **Notes to Financial Statements**

### **December 31, 2010 and 2009**

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#### **6. Fees and expenses**

##### **a) *Management fee***

Pursuant to the terms of a management agreement, the Fund pays to the Investment Manager, monthly in arrears, a base management fee. The management fee may vary from class to class and for each of the existing classes of units is as follows:

Class A: 1% per annum of the Net Asset Value of class A units of the Fund on the last business day of the preceding month.

Class B: 2% per annum of the Net Asset Value of class B units of the Fund on the last business day of the preceding month.

Class BB: 1/12 of 2% (2% per annum) of the Net Asset Value of the Class BB Units of the Fund on the last business day of the preceding month.

Class F: 1% per annum of the Net Asset Value of class F units of the Fund on the last business day of the preceding month.

Class FF: 1/12 of 1% (1% per annum) of the Net Asset Value of the Class FF Units of the Fund on the last business day of the preceding month.

##### **b) *Performance fee***

The Investment Manager is entitled to a performance fee equal to 20% of the amount by which the performance of the Fund exceeds the previous high-water mark for each Class of units. The performance fee is accrued monthly and is payable for each calendar quarter, provided that the high-water mark is exceeded, as referred to below. The performance fee will be payable by the Fund within 10 business days from the quarter-end. Upon the redemption of units of a particular class, the accrued portion of the performance fee allocated to the redeemed units for that class will be payable by the Fund within 10 business days of the end of the month in which the units were redeemed.

The highest quarter-end Net Asset Value per unit for each class of units from time to time establishes a high-water mark for each class of units which must be exceeded in subsequent quarters for the performance fee applicable to each class of units to be payable.

No change in the Investment Manager's performance fee payment policy will be made without at least 60 days notice to the unitholders.

Performance fees amounting to \$45,607,564 were incurred for the year ended December 31, 2010 (2009 - \$3,928,062) of which \$22,549,037 (2009 - \$2,919,744) were outstanding at year end.

##### **c) *Administration fees and expenses***

The Fund is responsible for the payment of all fees and expenses relating to its operations, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising

## **Vertex Fund**

### **Notes to Financial Statements**

### **December 31, 2010 and 2009**

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and promotional expenses which are paid for by the Investment Manager), and legal fees and expenses, custody and safekeeping charges.

#### **7. Distribution of net investment income and capital gains**

Net taxable income and net taxable capital gains of the Fund are distributed to unitholders of record as of the close of business on the last valuation date in the year or at such other dates as determined by the Investment Manager from time to time, according to each unitholder's proportionate share of the Fund. All distributions are reinvested automatically in additional units of the Fund unless the unitholder has made other arrangements with the Investment Manager.

#### **8. Income taxes**

The Fund is a mutual fund trust as defined by the Income Tax Act. No provisions for income taxes are made in the financial statements as the net taxable income and net taxable capital gains are distributed to the unitholders and immediately reinvested in the Fund. As of December 31, 2010, there were \$3,047,160 (2009 - \$77,349,613) of capital losses and \$nil (2009 - \$677,525) of non capital losses to be carried forward. The capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future periods.

#### **9. Soft dollar commissions**

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the investment manager. The Fund paid \$477,193 (2009 - \$364,739) in soft dollar commissions during the year.

#### **10. Security Borrowing Agreement**

As of December 31, 2010, the Fund did not borrow any securities from TD Securities (2009 – nil). Securities are borrowed to cover the Fund's obligation in respect of securities sold short.

The Fund pays commissions and other fees to TDSI with respect to short sale transactions. Such commissions and other fees will be at TDSI's customary rates in the circumstances or as negotiated from time to time.

#### **11. Financial Risk Management**

The Fund's financial instruments consist of cash, investments, including derivative contracts, short-term receivables and payables. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Investment Manager maintains a risk management practice that includes quarterly monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The most important risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

*a) Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's other price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges. As at December 31, 2010, the overall market exposures were as follows:

	At December 31, 2010		At December 31, 2009	
	Fair Value	% Net Assets	Fair Value	% Net Assets
Securities (Long) held for trading	\$ 1,074,401,979	103.55%	\$ 947,109,569	110.26%
Derivative assets				
Option contracts	57,937,332	5.58%	-	-
Forward contracts	8,168,595	0.79%	533,049	0.06%
<b>Total market exposure</b>	<b>\$ 1,140,507,906</b>	<b>109.92%</b>	<b>\$ 947,642,618</b>	<b>110.32%</b>

  

	2010		2009	
	Fair Value	% Net Assets	Fair Value	% Net Assets
Securities (Short) held for trading	\$ (272,424,674)	(26.26%)	\$ (104,373,047)	(12.15%)
Derivative liabilities				
Forward contracts	-	-	(242,524)	(0.03%)
Option contracts	(212,438)	(0.02%)	(1,063,700)	(0.12%)
<b>Total market exposure</b>	<b>\$ (272,637,112)</b>	<b>(26.28%)</b>	<b>\$ (105,679,271)</b>	<b>(12.30%)</b>

Short selling risk is the risk of loss related to short selling transactions. The Fund will profit from a short sale transaction if the value of the borrowed security declines in value from the time the Fund sells the stock to the time the Fund closes out its short position. There is no certainty that the security price will decline, and unlike long positions, where the risk of loss is limited to the amount of the initial investment, short positions may be closed out at a price that would result in a significant loss for the Fund. The Fund's discretion may be limited in an open short sale transaction. For example, the lender may recall the security unexpectedly, or go bankrupt thereby jeopardizing the recoverability of collateral. As well, the Fund may encounter difficulty repurchasing the security should that security's liquidity become compromised in the marketplace. The Fund mitigates such risk by shorting only liquid securities, and by depositing the appropriate collateral against the short positions.

## **Vertex Fund**

### **Notes to Financial Statements**

#### **December 31, 2010 and 2009**

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As of December 31, 2010, if the S&P/TSX Composite Index (which the Fund was exposed to) had increased or decreased by 5%, with all other variables held constant, this would have approximately increased or decreased net assets to amount in difference of \$27,357,994 (2009 - \$23,138,089). Actual results may differ from this sensitivity analysis and those results could be material

#### ***b) Interest rate risk***

As at December 31, 2010, 56.94% (2009 – 45.14%) of the Funds' investment portfolio includes interest bearing corporate bonds, as well as cash and cash equivalents. As a result, the Fund is subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows. Cash and cash equivalents, both excess amounts of \$152,625,956 (2009 - \$29,370) and amounts held as collateral of \$28,429,042 (2009 - \$9,002,404), are invested in short-term securities.

The table below summarizes the Fund's exposure to interest rate risk. It includes the Fund's financial assets and liabilities at fair value, categorized by the earlier of contractual re-pricing or maturity dates.

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
<b>As at December 31, 2010</b>					
<b>Assets</b>					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 759,708,398	\$ 759,708,398
Bonds	30,000	93,237,936	221,965,645	-	315,233,581
Forward contracts	8,168,595	-	-	-	8,168,595
Option contracts	57,397,332	-	-	-	57,397,332
Cash and cash equivalents	-	-	-	181,054,998	181,054,998
Accrued interest and dividends receivable	-	-	-	6,901,030	6,901,030
Miscellaneous receivable	-	-	-	116,846	116,846
Due from broker	-	-	-	3,777	3,777
Subscriptions receivable	-	-	-	14,249,993	14,249,993
<b>Total Assets</b>	<b>\$ 65,595,927</b>	<b>\$ 93,237,936</b>	<b>\$ 221,965,645</b>	<b>\$ 962,035,042</b>	<b>\$ 1,342,834,550</b>
<b>Liabilities</b>					
Financial liabilities at fair value					
Equities	\$ -	\$ -	\$ -	\$ 270,273,421	\$ 270,273,421
Bonds	-	-	2,151,253	-	2,151,253
Option contracts	212,438	-	-	-	212,438
Accrued performance fee	-	-	-	22,549,037	22,549,037
Dividends and interest payable on securities short	-	-	-	1,167,556	1,167,556
Distribution payable	-	-	-	136,615	136,615
Securities borrowing fees payable	-	-	-	905,347	905,347
Accounts payable and accrued liabilities	-	-	-	115,838	115,838
Due to broker	-	-	-	4,250,000	4,250,000
Redemptions payable	-	-	-	3,525,825	3,525,825
<b>Total Liabilities</b>	<b>212,438</b>	<b>-</b>	<b>2,151,253</b>	<b>302,923,639</b>	<b>305,287,330</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 65,383,489</b>	<b>\$ 93,237,936</b>	<b>\$ 219,814,392</b>	<b>\$ 659,111,403</b>	<b>\$ 1,037,547,220</b>

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
<b>As at December 31, 2009</b>					
<b>Assets</b>					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 562,634,469	\$ 562,634,469
Bonds	1,915,527	163,799,224	204,497,132	14,263,217	384,475,100
Forward contracts	533,049	-	-	-	533,049
Cash and cash equivalents	-	-	-	8,973,034	8,973,034
Accrued interest and dividends receivable	-	-	-	6,692,720	6,692,720
Due from broker	-	-	-	1,833,240	1,833,240
Subscriptions receivable	-	-	-	11,124,941	11,124,941
<b>Total Assets</b>	<b>\$ 2,448,576</b>	<b>\$ 163,799,224</b>	<b>\$ 204,497,132</b>	<b>\$ 605,521,621</b>	<b>\$ 976,266,553</b>
<b>Liabilities</b>					
Financial liabilities at fair value					
Equities	\$ -	\$ -	\$ -	\$ 99,872,699	\$ 99,872,699
Bonds	-	2,261,189	2,239,159	-	4,500,348
Forward contracts	242,524	-	-	-	242,524
Option contracts	1,063,700	-	-	-	1,063,700
Accrued performance fee	-	-	-	2,919,744	2,919,744
Dividends and interest payable on securities sold short	-	-	-	789,485	789,485
Securities borrowing payable	-	-	-	311,417	311,417
Accounts payable and accrued liabilities	-	-	-	141,599	141,599
Accounts payable and accrued liabilities	-	-	-	1,728,155	1,728,155
Redemptions payable	-	-	-	5,701,272	5,701,272
<b>Total Liabilities</b>	<b>1,306,224</b>	<b>2,261,189</b>	<b>2,239,159</b>	<b>111,464,371</b>	<b>117,270,943</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 1,142,352</b>	<b>\$ 161,538,035</b>	<b>\$ 202,257,973</b>	<b>\$ 494,057,250</b>	<b>\$ 858,995,610</b>

At December 31, 2010, should interest rates have increased or decreased by 25 basis points with all other variables remaining constant, the decrease or increase in net assets for the year would amount to approximately \$2,887,874 (2009 - \$3,230,213). Actual results may differ from this sensitivity analysis and those results could be material. The Fund's managers review the interest rate exposure on a regular basis.

**c) Currency risk**

Currency risk is the risk that the value of investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Statement of Investments identifies all investments denominated in foreign currencies. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's managers review the currency positions of the Fund on a regular basis and the Fund may

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

As at December 31, 2010, if the exchange rate between the Canadian Dollar and the foreign currencies the Fund is exposed to decrease or increase by 5%, with all other variables held constant, the increase or decrease respectively in net assets would approximately amount to values as disclosed in the table below:

Currency	December 31, 2010 Exposure	December 31, 2009	December 31, 2010 5% Decrease / Increase	December 31, 2009
British Pound	\$ 20,864,046	\$ 16,782,635	\$ 1,043,202	\$ 839,132
Australian Dollar	32,271,948	29,875,203	1,613,597	1,493,760
Euro Currency	28,597,637	6,881,506	1,429,882	344,075
Hong Kong Dollar	866,962	2,427,501	43,348	121,375
US Dollar	404,077,559	100,843,307	20,203,878	5,042,165

Actual results may differ from this sensitivity analysis and those results could be material.

**d) Liquidity risk**

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units at the monthly valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Investments held as at December 31, 2010 that may be subject to liquidity risk have been identified on the Statement of Investments. In addition, the Fund retains sufficient cash and cash equivalents to maintain liquidity.

**e) Credit risk**

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from corporate bonds, preferred shares and derivative contracts. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund invests in financial assets, which have an investment grade as rated primarily by Dominion Bond Rating Service and Standard & Poor's. Ratings for securities that subject the Fund to credit risk at December 31, 2010 are noted below:

**Vertex Fund**  
**Notes to Financial Statements**  
**December 31, 2010 and 2009**

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**Portfolio by rating category**

<b>Rating</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
A/A	6.25%	10.19%
BBB/Bbb	4.51%	5.63%
BB/Bb	3.00%	3.92%
B/B	5.22%	8.83%
CCC/Ccc	5.38%	2.83%
CC/Cc	2.22%	1.43%
Unclassified	3.60%	11.93%
<b>Total</b>	<b>30.18%</b>	<b>44.76%</b>

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold/lent is only made once the broker has received/made payment. Payment is made/received on securities purchased/borrowed once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at December 31, 2010 and 2009, the Fund's net assets were also exposed to credit risk arising from derivative contracts. The credit rating of the counterparties as at December 31, 2010 and 2009 was:

**Portfolio by rating category**

<b>Rating</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
AA/A+/A	6.30%	(0.09%)
<b>Total</b>	<b>6.30%</b>	<b>(0.09%)</b>

**12. Exemption from Regulatory Filing**

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Vertex One Asset Management Inc., as investment manager to the Fund, has provided notice to the securities regulatory authority that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Vertex One Asset Management Inc. will not be filing the annual financial statements for the Fund with the regulator.

**13. Comparative figures**

Certain 2009 comparative figures have been reclassified to conform with the financial statements presentation adopted per the current year.