

Vertex Growth Fund

Financial Statements
December 31, 2010

March 31, 2011

Independent Auditor's Report

To the Unitholders of Vertex Growth 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 and changes in net assets for the year ended December 31, 2010 and for the period September 21, 2009 (commencement of operations) to December 31, 2009, 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 and the changes in its net assets for the year ended December 31, 2010 and for the period September 21, 2009 (commencement of operations) to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to Note 11 of the financial statements which describes the restatement of a prior period error. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Vertex Growth Fund

Statements of Net Assets

As at December 31

	2010	2009 (restated)
Assets		
Investments at fair value (cost - \$20,403,874; 2009 - \$4,874,412)	\$ 24,115,469	\$ 5,110,983
Cash and cash equivalents	1,154,136	252,442
Unrealized gain on forward contracts	217,592	22,951
Due from manager	-	23,018
Accrued interest and dividends receivable	36,638	8,090
Subscriptions receivable	318,367	20,380
	<u>25,842,202</u>	<u>5,437,864</u>
Liabilities		
Accrued performance fees (Note 5b)	383,625	20,687
Accounts payable and accrued liabilities	57,534	23,018
Redemptions payable	481,260	-
	<u>922,419</u>	<u>43,705</u>
Net assets representing unitholders' equity	<u>\$ 24,919,783</u>	<u>\$ 5,394,159</u>
Net assets representing unitholders' equity per Class		
Class B	\$ 14,222,679	\$ 1,276,157
Class F	\$ 10,697,104	\$ 4,118,002
Net assets per unit (Note 2)		
Class B	\$ 14.19	\$ 10.07
Class F	\$ 14.36	\$ 10.14

Approved by the Fund Manager

"Signed"

John W. Thiessen

Director

"Signed"

Jeffrey McCord

Director

(See accompanying notes to the financial statements.)

Vertex Growth Fund

Statements of Operations

For the period ended December 31, 2010 and period from September 21, 2009 (commencement of operations) to December 31, 2009

	2010	2009 (restated)
Investment income		
Dividends (net of withholding tax: \$14,608; 2009 - \$431)	\$ 275,641	\$ 17,356
Interest	55,963	5,336
Other income	5,071	-
	<u>336,675</u>	<u>22,692</u>
Expenses (Note 5)		
Performance fees (Note 5b, Note 11)	671,888	20,687
Management fees	184,744	10,727
Security borrowing fee	2,357	-
Securityholder reporting costs	69,077	16,474
Other administrative expenses	19,360	3,196
Custody fees	12,339	6,544
Interest expense	-	6,569
Audit fees	17,981	10,500
Legal fees	17,453	-
IRC fees	19,000	9,040
	<u>1,014,199</u>	<u>83,737</u>
Net investment loss before absorbed expenses	<u>(677,524)</u>	<u>(61,045)</u>
Expenses absorbed by manager (Note 5)	<u>278,650</u>	<u>56,481</u>
Net investment loss	<u>(398,874)</u>	<u>(4,564)</u>
Realized and unrealized gain (loss) on investments		
Realized gain (loss) on sale of investments	1,203,031	(129,303)
Transaction costs (Note 2)	(120,480)	(20,030)
Change in unrealized appreciation in value of investments	3,669,663	259,523
Change in unrealized appreciation (depreciation) in value of foreign currency	(1,940)	60
Net realized and unrealized gain on investments	<u>4,750,274</u>	<u>110,250</u>
Increase in net assets from operations	<u>\$ 4,351,400</u>	<u>\$ 105,686</u>
Increase (decrease) in net assets from operations per Class		
Class B	\$ 2,203,188	\$ 6,061
Class F	\$ 2,148,212	\$ 99,625
Increase (decrease) in net assets from operations per unit (Note 4)*		
Class B	\$ 4.35	\$ 0.08
Class F	\$ 4.01	\$ 0.30

* Based on the weighted average number of units outstanding during the period

(See accompanying notes to the financial statements.)

Vertex Growth Fund

Statements of Changes in Net Assets

For the period ended December 31, 2010 and period from September 21, 2009 (commencement of operations) to December 31, 2009

	Class B		Class F	
	2010	2009 (restated)	2010	2009 (restated)
Net assets, beginning of period	\$ 1,276,157	\$ -	\$ 4,118,002	\$ -
Increase (decrease) in net assets from operations	2,203,188	6,061	2,148,212	99,625
Capital transactions (Note 4)				
Proceeds from issuance of units	11,134,032	1,270,096	5,953,207	4,018,377
Redemption of units	(390,698)	-	(1,522,317)	-
Reinvestment of distributions	-	1,617	-	5,195
	<u>10,743,334</u>	<u>1,271,713</u>	<u>4,430,890</u>	<u>4,023,572</u>
Distributions to unitholders				
From net investment income	-	(1,617)	-	(5,195)
	<u>-</u>	<u>(1,617)</u>	<u>-</u>	<u>(5,195)</u>
Net assets, end of period	<u>\$ 14,222,679</u>	<u>\$ 1,276,157</u>	<u>\$ 10,697,104</u>	<u>\$ 4,118,002</u>
	Total			
	2010	2009 (restated)		
Net assets, beginning of period	\$ 5,394,159	\$ -		
Increase in net assets from operations	4,351,400	105,686		
Capital transactions (Note 4)				
Proceeds from issuance of units	17,087,239	5,288,473		
Redemption of units	(1,913,015)	-		
Reinvestment of distributions	-	6,812		
	<u>15,174,224</u>	<u>5,295,285</u>		
Distributions to unitholders				
From net investment income	-	(6,812)		
	<u>-</u>	<u>(6,812)</u>		
Net assets, end of period	<u>\$ 24,919,783</u>	<u>\$ 5,394,159</u>		

(See accompanying notes to the financial statements.)

Vertex Growth Fund

Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
STOCKS				
ENERGY				
166,500	Enterprise Energy Resources Ltd.	58,531	57,443	
65,000	Geomark Exploration Ltd.	58,500	76,700	
250,000	Mart Resources Inc.	177,625	170,000	
64,000	P1 Energy Corp. *	94,000	176,000	
400,000	Paramax Resources Ltd.	93,480	66,000	
227,300	Parex Resources Inc.	1,228,149	1,954,779	
200,000	Petromanas Energy Inc.	50,000	78,000	
200,000	Petromanas Energy Inc., Warrants (23Feb15)	-	43,000	
200,000	Primera Energy Resources Ltd.	70,000	72,000	
300,000	Primera Energy Resources Ltd., Warrants (14Apr2011)	-	6,836	
78,500	Range Energy Resources Inc.	15,700	10,990	
500,000	Range Energy Resources Inc., Warrants (21Oct11)	-	503	
100,000	Realm Energy International Corp.	30,000	109,000	
100,000	Realm Energy International Corp., Warrants (04Oct12)	-	66,430	
100,000	Strategic Oil & Gas Ltd.	84,000	117,000	
25,000	Stream Oil & Gas Ltd.	17,370	72,000	
200,000	Touchstone Exploration Inc.	99,805	143,086	
44,000	Vermilion Energy Inc.	1,854,611	2,033,239	
	TOTAL ENERGY	3,931,771	5,253,006	21.59
MATERIALS				
57,750	Alder Resources Ltd.	14,438	22,234	
37,200	AngloGold Ashanti Ltd., PFD	2,069,658	2,040,401	
100,000	Cartier Resources Inc.	42,125	44,000	
450,000	Castle Resources Inc.	144,000	207,000	
225,000	Castle Resources Inc., Warrants (07Oct12)	-	21,830	
40,000	Chemtrade Logistics Income Fund	453,200	604,800	
45,000	Conifex Timber Inc.	371,250	373,500	
250,000	Diamond Frank Exploration Inc.	62,500	43,750	
250,000	Diamond Frank Exploration Inc., Warrants (06Apr12)	-	2,501	
28,000	Excellon Resources Inc.	27,567	37,240	
100,000	GMV Minerals Inc.	45,000	64,000	
50,000	GMV Minerals Inc., Warrants (27Oct12)	-	8,338	
200,000	Lincoln Mining Corp.	44,000	47,000	
227,500	Lincoln Mining Corp., Warrants (01Jun12)	-	6,345	
200,000	Oceanic Iron Ore Corp.	15,000	180,000	
500,000	Oceanic Iron Ore Corp., Warrants (09Jun12)	-	401,120	
200,000	Otish Energy Inc.	35,970	46,000	
43,500	Pan American Silver Corp.	1,711,597	1,781,685	
54,074	Riva Gold Corp.	48,667	104,363	
180,900	Sacre-Coeur Minerals Ltd.	281,300	229,743	
45,500	Silver Wheaton Corp.	1,336,023	1,772,680	
80,000	Sunridge Gold Corp.	100,376	101,600	
25,000	Typhoon Exploration Inc., Class A	28,255	19,750	
750,000	Visible Gold Mines Inc.	240,000	412,500	
750,000	Visible Gold Mines Inc., Warrants (21Oct11)	-	92,875	
460,900	Wildcat Silver Corp.	292,954	276,540	
	TOTAL MATERIALS	7,363,880	8,941,795	36.75

(See accompanying notes to the financial statements)

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Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
INDUSTRIALS				
Capital Goods				
223,350	Eacom Timber Corp.	115,492	145,178	
150,000	Eacom Timber Corp., Warrants (13Nov12)	-	20,061	
2	KHD Humboldt Wedag International AG	-	18	
30,000	Wavefront Technology Solutions Inc., Warrants (27Apr11)	-	11	
	Total Capital Goods	<u>115,492</u>	<u>165,268</u>	<u>0.68</u>
	TOTAL INDUSTRIALS	<u>115,492</u>	<u>165,268</u>	<u>0.68</u>
CONSUMER DISCRETIONARY				
Consumer Services				
131,500	Whistler Blackcomb Holdings Inc.	1,592,361	1,579,315	
	Total Consumer Services	<u>1,592,361</u>	<u>1,579,315</u>	<u>6.49</u>
Retailing				
39,100	Dillards Inc., Class A	1,163,342	1,473,646	
	Total Retailing	<u>1,163,342</u>	<u>1,473,646</u>	<u>6.06</u>
	TOTAL CONSUMER DISCRETIONARY	<u>2,755,703</u>	<u>3,052,961</u>	<u>12.55</u>
HEALTH CARE				
Pharmaceuticals & Biotechnology				
130,000	Oncolytics Biotech Inc.	726,050	868,400	
	Total Pharmaceuticals & Biotechnology	<u>726,050</u>	<u>868,400</u>	<u>3.57</u>
	TOTAL HEALTH CARE	<u>726,050</u>	<u>868,400</u>	<u>3.57</u>
FINANCIALS				
Diversified Financials				
158	ING Groep NV, 7.05% PFD	3,277	3,586	
44,600	ING Groep NV, 7.20% PFD	936,297	1,024,605	
	Total Diversified Financials	<u>939,574</u>	<u>1,028,191</u>	<u>4.23</u>
Real Estate				
100,000	Extencicare Real Estate Investment Trust	928,180	918,000	
	Total Real Estate	<u>928,180</u>	<u>918,000</u>	<u>3.77</u>
	TOTAL FINANCIALS	<u>1,867,754</u>	<u>1,946,191</u>	<u>8.00</u>
INFORMATION TECHNOLOGY				
Technology Hardware & Equipment				
5,540	Apple Inc.	1,696,781	1,775,195	
	Total Technology Hardware & Equipment	<u>1,696,781</u>	<u>1,775,195</u>	<u>7.30</u>
	TOTAL INFORMATION TECHNOLOGY	<u>1,696,781</u>	<u>1,775,195</u>	<u>7.30</u>

(See accompanying notes to the financial statements)

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Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
TELECOMMUNICATION SERVICES				
117,000	Sprint Nextel Corp.	512,173	491,768	
	TOTAL TELECOMMUNICATION SERVICES	512,173	491,768	2.02
UTILITIES				
90,300	Capital Power Income LP	1,468,547	1,620,885	
	TOTAL UTILITIES	1,468,547	1,620,885	6.66
	TOTAL STOCKS	20,438,151	24,115,469	99.11
FORWARD CONTRACTS				
	Sell USD 275,000, Buy CAD 278,253 @1.011828 - February 03, 2011	-	4,797	
	Sell USD 100,000, Buy CAD 101,233 @1.012328 - February 03, 2011	-	1,794	
	Sell USD 225,000, Buy CAD 227,507 @1.011143 - February 04, 2011	-	3,766	
	Sell USD 65,000, Buy CAD 65,335 @1.00516 - February 07, 2011	-	696	
	Sell USD 100,000, Buy CAD 101,220 @1.012203 - March 10, 2011	-	1,703	
	Sell USD 375,000, Buy CAD 375,482 @1.001286 - February 10, 2011	-	2,541	
	Sell USD 725,000, Buy CAD 733,365 @1.011538 - March 14, 2011	-	11,789	
	Sell USD 450,000, Buy CAD 455,210 @1.011578 - March 14, 2011	-	7,335	
	Sell USD 1,250,000, Buy CAD 1,270,054 @1.016043 - January 13, 2011	-	27,633	
	Sell USD 400,000, Buy CAD 408,638 @1.021595 - January 19, 2011	-	11,009	
	Sell USD 1,400,000, Buy CAD 1,418,379 @1.013128 - March 21, 2011	-	24,713	
	Sell USD 1,800,000, Buy CAD 1,861,371 @1.034095 - January 20, 2011	-	71,983	
	Sell USD 750,000, Buy CAD 764,307 @1.019076 - January 12, 2011	-	18,869	
	Sell USD 175,000, Buy CAD 179,048 @1.023133 - January 24, 2011	-	5,066	
	Sell USD 750,000, Buy CAD 759,560 @1.012747 - February 28, 2011	-	13,385	
	Sell USD 125,000, Buy CAD 128,368 @1.026945 - January 25, 2011	-	4,092	
	Sell USD 200,000, Buy CAD 203,932 @1.01966 - January 26, 2011	-	5,087	
	Sell USD 250,000, Buy CAD 250,247 @1.000989 - March 29, 2011	-	1,334	
	TOTAL FORWARD CONTRACTS	-	217,592	0.89
	Transaction Costs (Note 2)	(34,277)		
	TOTAL INVESTMENTS	20,403,874	24,333,061	100.00

(See accompanying notes to the financial statements)

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Notes to Financial Statements

December 31, 2010 and 2009

1. Establishment of trust

The Vertex Growth Fund (the "Fund") was created on September 14, 2009 under the laws of British Columbia. Vertex One Asset Management Inc. is the Investment Manager and RBC Dexia Investor Services Trust is the Trustee and Custodian of the Fund. The Fund commenced operations on September 21, 2009. The Fund currently offers an unlimited number of Class B and Class F Units.

The investment objective of the Fund is to achieve long-term capital growth by investing in growth-oriented equities. The Vertex Growth Fund invests primarily in equity and equity-related securities of North American companies. The Vertex Growth Fund may also invest in international companies. Investments may focus on assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook.

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.

Valuation of investments

The valuation methods adopted pursuant to Canadian Institute of Chartered Accountants (CICA) Financial Instruments – Recognition and Measurement (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 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.

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

As at December 31	Net Assets Per Unit		Net Asset Value Per Unit	
	2010	2009 (restated)	2010	2009
Class B	\$ 14.19	\$ 10.07	\$ 14.19	\$ 10.08
Class F	14.36	10.14	14.28	10.10

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 and include an adjustment for a prior period error as at December 31, 2009 as described in Note 11.

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. The value of any security which is not listed

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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.

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. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

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

Other assets and liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends, subscriptions receivable and other assets are designated as loans and other receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities and redemptions 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 Statement 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 valued as income, capital gains or return of capital based on the best information available to the Fund. Distributions that are

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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 the 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 Statement 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.

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 Operation. 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.

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.

Increase (decrease) in net assets from operations for each class

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

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 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 of the securities using the same valuation policies as for securities owned. 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.

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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.

Comparative figures

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

3. Fair Value Disclosure

Financial Instruments – Disclosures, establishes 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.

The Fund’s assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA Section 3862. 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.

	Financial Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 22,433,370	\$ 836,250	\$ 176,000	\$ 23,445,620
Warrants	43,000	626,849	-	669,849
Forward contracts	-	217,592	-	217,592
	<u>\$ 22,476,370</u>	<u>\$ 1,680,691</u>	<u>\$ 176,000</u>	<u>\$ 24,333,061</u>

There were no transfers between levels 1 and 2 during 2010.

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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	\$ 4,495,184	\$ 286,500	\$ 37,500	\$ 4,819,184
Warrants	225,000	-	66,799	291,799
Forward contracts	-	22,951	-	22,951
	<u>\$ 4,720,184</u>	<u>\$ 309,451</u>	<u>\$ 104,299</u>	<u>\$ 5,133,934</u>

There were no transfers between levels 1 and 2 during 2009.

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

Fair value measurements using level 3 inputs			
	Warrants	Equities - long	
Balance at December 31, 2009	\$ 66,799	\$ 37,500	
Net purchases and sales	-	(114,205)	
Net transfers in (out)	(7,339)	-	
Gains (Losses)			
Realized	-	170,705	
Unrealized	(59,460)	82,000	
Balance at December 31, 2010	<u>\$ -</u>	<u>\$ 176,000</u>	
Total change in unrealized appreciation during the period for assets held at December 31, 2010	\$ -	\$ 82,000	

The following is a reconciliation of Level 3 fair value measurements from September 21, 2009 to December 31, 2009:

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	Fair value measurements using level 3 inputs	
	Warrants	Equities - long
Balance at September 21, 2009	\$	-
(commencement of operations)		\$ -
Net purchases and sales		37,500
Net transfers in (out)	66,799	-
Gains (Losses)		
Realized		-
Unrealized		-
Balance at December 31, 2009	\$	66,799
		\$ 37,500
Total change in unrealized appreciation during the period for assets held at December 31, 2009	\$	-
		\$ -

Level 3 sensitivity analysis

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of \$176,000 as of December 31, 2010 (2009 - \$104,299). Included in the Fund's Level 3 financial instruments are equity investments in private placements. The unobservable inputs used in the valuation of these financial 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 \$8,800 (2009 - \$5,918).

4. Unitholders' equity

Unitholders' equity includes amounts representing net Fund unit subscriptions, undistributed net income, undistributed realized gains (losses) on sale of investments and unrealized appreciation (depreciation) in 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 10), 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 during the year:

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	2010		2009	
	Class B	Class F	Class B	Class F
Units-Beginning of period	126,699	406,284	-	-
Units issued	906,551	475,492	126,538	405,770
Units reinvested	-	-	161	514
Units redeemed	(30,907)	(136,859)	-	-
Units-End of period	1,002,343	744,917	126,699	406,284

Certain directors and/or related parties of the fund held greater than 10% of the fund units at December 31, 2010.

5. Fees and expenses

a) Management fees

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 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 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.

b) Performance fees

The Fund also pays the Investment Manager an annual performance fee (the “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 a high-water mark. Performance fees will be calculated and accrued daily and payable by the Fund quarterly.

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 the Fund is less than its benchmark, then no performance fee will be payable until the performance of this Fund relative to its benchmark has exceeded the amount of the deficiency and the deficiency will carry forward for one year. In addition, the highest daily net asset value per unit for each class of units establishes a high-water mark for each class of units which must be exceeded in subsequent days for the performance fee applicable to each class of units to be payable.

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The performance fees incurred for the year ended December 31, 2010 are \$671,888 (2009 restated – \$20,687) of which \$383,625 were outstanding at December 31, 2010 (2009 restated – \$20,687).

c) Fees and expenses

The Fund is responsible for the payment of all fees and expenses relating to its operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Investment Manager), IRC fees, record keeping and legal fees and expenses, custody and safekeeping charges.

Vertex One Asset Management, manager to the Fund, absorbed certain administrative expenses, securityholder reporting costs, custody fees, audit fees, IRC fees and also waived certain management and performance fees.

6. Distribution of net investment income and capital gains

Net investment income and net capital gains of the Fund are distributed to unitholders of record as of the close of business on the last valuation day in the year. Unless unitholders have requested cash, all distributions are reinvested automatically in additional units of the Fund immediately following the valuation date.

7. Income taxes

The Fund is a mutual fund trust as defined by the Income Tax Act. No provisions for income taxes are included in the financial statements as the net income and net capital gains are distributed to the unitholders and immediately reinvested in the Fund. As of December 31, 2010, there were \$12,476 (2009 – \$135,877) of capital losses and \$nil (2009 – \$nil) of non capital losses to be carried forward.

8. Soft dollar commissions

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the investment manager. There were \$17,469 (2009 – \$703) soft dollar commissions paid during the year.

9. Securities Lending Transactions

The Fund lends portfolio securities from time to time in order to earn additional income. Income from securities lending is recorded in investment income in the Statement of Operations of the Fund.

The Fund has entered into a securities lending program with its custodian, the RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 100% of the assets of the Fund. The Fund receives collateral of at least 105% of the value of securities on loan. Collateral may comprise cash, shares, and obligations of or guaranteed by the Government of Canada or a province thereof, by the United States government or its agencies, or by other Organization for Economic Coordination & Development (OECD) member countries' governments.

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As at December 31, 2010, there were no securities on loan (2009 – nil) and no collateral (2009 – nil) held under securities lending.

10. Financial Risk Management

The Fund's financial instruments consist of investments which include accrued interest and dividends, amounts due from brokers, subscriptions receivable, other assets, accounts payable and accrued liabilities and redemptions payable. 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 other price risk, interest rate risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

(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 market 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 of December 31, 2010, if the Fund's Investments 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 \$1,205,773 (2009 – \$255,549). Actual results may differ from this sensitivity analysis and those results could be material.

(b) Interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates. As at December 31, 2010 and 2009, interest rate risk was negligible as the Fund had no significant exposure to long-term interest-bearing investments.

(c) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar, the functional currency. 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

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regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

The table below summarizes the Fund's exposure to currency risks.

Currency	December 31, 2010	December 31, 2009
	Exposure	
U.S. Dollar	\$ (525,944)	\$ 2,369,469

As at December 31, 2010, if the exchange rate between the Canadian Dollar and the US Dollar the Fund was exposed to increased or decreased by 5%, with all other variables held constant, the increase or decrease respectively in net assets would approximately amount to values \$26,297 (2009 – \$118,473). Actual results may differ from this sensitivity analysis and those results could be material.

(d) 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 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 credit rating of the counterparties as a percentage of net assets as at December 31, 2010 and 2009 were:

Portfolio by rating category	December 31, 2010	December 31, 2009
Rating		
AA/A	0.87%	0.43%
Total	0.87%	0.43%

(e) 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. The Fund retains sufficient cash and cash equivalents to maintain liquidity. Liquidity risk is considered negligible.

The liabilities of the Fund become due within the next three months.

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11. Restatement of prior period error

During the year, the manager identified an error in the calculation of the performance fees that impacted the amounts recorded in the period ended December 31, 2009. The manager noted that the performance fee calculation did not take into effect the high-water mark threshold or account for prior day's deficiencies in the daily accrual as stipulated in the Fund's Simplified Prospectus. As a result, the performance fees accrued were overstated by \$84,792 as at December 31, 2009.

The following adjustments were made to correct the error:

- (1) The accrued performance fee as at December 31, 2009 and the performance fee expense for the period ended December 31, 2009 were each decreased by \$84,792;
- (2) The increase in net assets from operations per unit for the period ended December 31, 2009 was increased by \$0.21 per unit for each Class B and Class F units; and
- (3) The net assets per unit as at December 31, 2009 was increased by \$0.12 and \$0.17 for Class B and Class F respectively. This adjustment is reflected in the reconciliation disclosed in Note 2 between the Net Assets per Unit and Net Asset Value per Unit.

The Manager is currently assessing the impact to the unitholders affected by the error and if necessary, will compensate them in accordance with the recommendations of the Investment Funds Institute of Canada.