

# **Vertex Managed Value Portfolio**

Financial Statements  
**December 31, 2010**

April 19, 2011

**Independent Auditor's Report**

**To the Unitholders of  
Vertex Managed Value Portfolio (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 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 and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants

# Vertex Managed Value Portfolio

Statements of Net Assets

As at December 31

	2010	2009
<b>Assets</b>		
Investments at fair value (cost - \$113,190,586; 2009 - \$117,243,738)	\$ 141,449,107	\$ 126,744,763
Cash and cash equivalents	448,818	98,503
Accrued interest and dividends receivable	199,854	244,952
Subscriptions receivable	1,090,913	615,849
	<u>143,188,692</u>	<u>127,704,067</u>
<b>Liabilities</b>		
Accrued performance fees	1,907,174	-
Management fees payable	143,783	-
Accounts payable and accrued liabilities	70,857	91,003
Redemptions payable	891,966	491,608
	<u>3,013,780</u>	<u>582,611</u>
<b>Net assets representing unitholders' equity</b>	<u>\$ 140,174,912</u>	<u>\$ 127,121,456</u>
<b>Net assets representing unitholders' equity per Class</b>		
Class A	\$ 78,249,888	\$ 69,908,654
Class B	\$ 15,663,731	\$ 14,664,848
Class F	\$ 46,261,293	\$ 42,547,954
<b>Net assets per unit (Note 2)</b>		
Class A	\$ 15.48	\$ 14.01
Class B	\$ 5.88	\$ 5.37
Class F	\$ 15.48	\$ 14.02

Approved by the Fund Manager

"Signed"

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Matthew A. Wood

**Director**

"Signed"

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Jeffrey McCord

**Director**

(See accompanying notes to the financial statements.)

## Vertex Managed Value Portfolio

Statements of Operations

For the years ended December 31

	2010	2009
<b>Investment income</b>		
Dividends (net of withholding tax: \$150,995 ; 2009 - \$166,908)	\$ 2,075,952	\$ 2,182,617
Interest	768,433	321,347
Security lending income	-	454
	<u>2,844,385</u>	<u>2,504,418</u>
<b>Expenses (Note 5)</b>		
Performance fees	1,912,680	2,534,173
Management fees	1,578,225	1,301,155
Securityholder reporting costs	65,031	60,911
Other administrative expenses	52,974	60,903
Custody fees	37,550	32,150
Audit fees	25,573	38,572
Legal fees	2,987	2,504
Trustee fees	5,561	3,333
	<u>3,680,581</u>	<u>4,033,701</u>
<b>Net investment income (loss)</b>	<u>(836,196)</u>	<u>(1,529,283)</u>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Realized gain (loss) on sale of investments	(5,017,972)	2,779,879
Transaction costs (Note 2)	(42,892)	(136,044)
Change in unrealized appreciation in value of investments	18,757,496	13,875,633
Change in unrealized appreciation (depreciation) in value of foreign currency	37,429	(42,458)
<b>Net gain on investments</b>	<u>13,734,061</u>	<u>16,477,010</u>
<b>Increase in net assets from operations</b>	<u>\$ 12,897,865</u>	<u>\$ 14,947,727</u>
<b>Increase in net assets from operations per Class</b>		
Class A	\$ 7,195,984	\$ 8,197,905
Class B	\$ 1,363,850	\$ 1,714,169
Class F	\$ 4,338,031	\$ 5,035,653
<b>Increase in net assets from operations per unit (Note 4)*</b>		
Class A	\$ 1.41	\$ 1.57
Class B	\$ 0.50	\$ 0.59
Class F	\$ 1.44	\$ 1.72

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

(See accompanying notes to the financial statements.)

## Vertex Managed Value Portfolio

Statements of Changes in Net Assets

For the years ended December 31

	Class A		Class B	
	2010	2009	2010	2009
Net assets, beginning of year	\$ 69,908,654	\$ 67,517,904	\$ 14,664,848	\$ 13,840,749
Increase in net assets from operations	7,195,984	8,197,905	1,363,850	1,714,169
<b>Capital transactions (Note 4)</b>				
Proceeds from issuance of units	7,520,347	2,170,317	1,194,000	1,000,236
Redemption of units	(6,375,097)	(7,977,472)	(1,558,967)	(1,890,306)
	<u>1,145,250</u>	<u>(5,807,155)</u>	<u>(364,967)</u>	<u>(890,070)</u>
Net assets, end of year	<u>\$ 78,249,888</u>	<u>\$ 69,908,654</u>	<u>\$ 15,663,731</u>	<u>\$ 14,664,848</u>
	Class F		Total	
	2010	2009	2010	2009
Net assets, beginning of year	\$ 42,547,954	\$ 35,909,669	\$ 127,121,456	\$ 117,268,322
Increase in net assets from operations	4,338,031	5,035,653	12,897,865	14,947,727
<b>Capital transactions (Note 4)</b>				
Proceeds from issuance of units	3,209,821	4,327,419	11,924,168	7,497,972
Redemption of units	(3,834,513)	(2,724,787)	(11,768,577)	(12,592,565)
	<u>(624,692)</u>	<u>1,602,632</u>	<u>155,591</u>	<u>(5,094,593)</u>
Net assets, end of year	<u>\$ 46,261,293</u>	<u>\$ 42,547,954</u>	<u>\$ 140,174,912</u>	<u>\$ 127,121,456</u>

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at December 31, 2010

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
<b>BONDS</b>						
<b>Corporate Bonds</b>						
250,000	Call Genie Inc.*	12.000%	31-Oct-12	250,000	213,325	
400,000	Clearwater Seafoods Income Fund	7.250%	31-Mar-14	297,500	341,040	
1,000,000	Dynegy Holdings Inc.	7.500%	1-Jun-15	857,894	750,206	
30,000	Fairfax Financial Holdings Ltd.	8.250%	1-Oct-15	30,261	31,412	
600,000	Fibrex Inc.	7.000%	31-Dec-11	357,625	600,600	
500,000	Interactive Network Inc/FriendFinder Networks Inc.	14.000%	30-Sep-13	536,719	514,214	
1,750,000	Level 3 Communications Inc., Senior Notes	5.250%	15-Dec-11	1,590,801	1,734,542	
500,000	Level 3 Financing Inc.	10.000%	1-Feb-18	515,806	476,952	
375,000	MEGA Brands Inc.	10.000%	31-Mar-15	375,000	393,101	
300,000	NAL Oil & Gas Trust	6.250%	31-Dec-14	300,000	315,060	
400,000	National Money Mart Co.	10.375%	15-Dec-16	420,921	429,257	
600,000	Sino-Forest Corp.	4.250%	15-Dec-16	648,762	776,538	
1,500,000	Synovus Financial Corp.	4.875%	15-Feb-13	1,374,809	1,351,519	
700,000	Zarlink Semiconductor Inc.	6.000%	30-Sep-12	515,375	728,000	
	<b>Total Corporate Bonds</b>			<b>8,071,473</b>	<b>8,655,766</b>	<b>6.12</b>
<b>Strip Bonds &amp; Coupons</b>						
124,000	Province of Newfoundland Coupon Strip	0.000%	17-Apr-21	75,882	80,961	
	<b>Total Strip Bonds &amp; Coupons</b>			<b>75,882</b>	<b>80,961</b>	<b>0.06</b>
	<b>TOTAL BONDS</b>			<b>8,147,355</b>	<b>8,736,727</b>	<b>6.18</b>
<b>STOCKS</b>						
<b>ENERGY</b>						
29,000	Seadrill Ltd.			659,517	977,434	
	<b>TOTAL ENERGY</b>			<b>659,517</b>	<b>977,434</b>	<b>0.69</b>
<b>MATERIALS</b>						
131,200	Acadian Timber Corp.			840,515	972,192	
270,200	Canfor Corp.			1,436,044	2,999,220	
153,250	Conifex Timber Inc.			1,251,313	1,271,975	
2,528,000	Fibrex Inc.			854,754	2,780,800	
1,329,400	International Forest Products Ltd., Class A			3,698,287	7,444,640	
123,620	Norbord Inc.			1,063,747	1,808,561	
1,448,700	PRT Forest Regeneration Income Fund			2,372,402	3,505,854	
1,293,115	Timberwest Forest Corp., Class U			5,085,935	5,431,083	
83,500	West Fraser Timber Co., Ltd.			2,052,866	3,911,140	
	<b>TOTAL MATERIALS</b>			<b>18,655,863</b>	<b>30,125,465</b>	<b>21.29</b>
<b>INDUSTRIALS</b>						
<b>Capital Goods</b>						
5,560,000	Eacom Timber Corp.			3,451,500	3,614,000	
41,000	General Electric Co.			1,002,997	745,129	
115,600	Ingersoll-Rand PLC			5,434,974	5,409,040	
	<b>Total Capital Goods</b>			<b>9,889,471</b>	<b>9,768,169</b>	<b>6.91</b>

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
	<b>Transportation</b>			
194,000	Jazz Air Income Fund	854,066	1,008,800	
	<b>Total Transportation</b>	854,066	1,008,800	0.71
	<b>TOTAL INDUSTRIALS</b>	10,743,537	10,776,969	7.62
	<b>CONSUMER DISCRETIONARY</b>			
	<b>Consumer Durables &amp; Apparel</b>			
66,700	Beazer Homes USA Inc., PFD	1,789,176	1,827,906	
373,300	Mattel Inc.	8,022,520	9,429,034	
300,000	MEGA Brands Inc., Warrants (30Mar15)	-	78,000	
	<b>Total Consumer Durables &amp; Apparel</b>	9,811,696	11,334,940	8.01
	<b>Consumer Services</b>			
79,500	Whistler Blackcomb Holdings Inc.	954,000	954,795	
	<b>Total Consumer Services</b>	954,000	954,795	0.68
	<b>Media</b>			
120,000	Call Genie Inc., Warrants (31Oct11)	-	5,150	
10,000	The Walt Disney Co.	310,918	372,619	
	<b>Total Media</b>	310,918	377,769	0.27
	<b>TOTAL CONSUMER DISCRETIONARY</b>	11,076,614	12,667,504	8.96
	<b>HEALTH CARE</b>			
	<b>Pharmaceuticals &amp; Biotechnology</b>			
34,800	Bristol-Myers Squibb Co.	741,721	915,653	
35,000	Merck & Co., Inc.	1,167,076	1,253,391	
317,900	Pfizer Inc.	5,316,034	5,531,085	
250,000	QLT Inc.	2,231,748	1,812,500	
80,000	QLT Inc. (\$US)	293,299	581,087	
77,567	Valeant Pharmaceuticals International Inc.	723,129	2,188,165	
	<b>Total Pharmaceuticals &amp; Biotechnology</b>	10,473,007	12,281,881	8.68
	<b>TOTAL HEALTH CARE</b>	10,473,007	12,281,881	8.68
	<b>FINANCIALS</b>			
	<b>Banks</b>			
28,000	Banco Santander SA, ADR	483,499	296,028	
95,000	KeyCorp	990,912	835,412	
150,000	Regions Financial Corp.	1,016,807	1,041,843	
39,000	SunTrust Banks Inc.	1,222,967	1,142,807	
5,000	Synovus Financial Corp., PFD	147,303	122,467	
17,919	Wells Fargo & Co.	561,548	551,784	
90,233	Zions Bancorporation	2,127,701	2,171,567	
	<b>Total Diversified Financials</b>	6,550,737	6,161,908	4.36
	<b>Diversified Financials</b>			
54,320	Bank of America Corp.	1,106,291	720,028	
313,845	Citigroup Inc.	1,032,232	1,475,061	
19,000	JPMorgan Chase & Co.	764,348	800,674	
	<b>Total Diversified Financials</b>	2,902,871	2,995,763	2.12

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
<b>Insurance</b>				
100,000	Aspen Insurance Holdings Ltd.	2,841,493	2,843,828	
9,000	Aspen Insurance Holdings Ltd., PFD	510,659	486,670	
33,900	Fairfax Financial Holdings Ltd.	6,442,142	13,772,552	
244,000	Genworth Financial Inc., Class A	2,406,672	3,185,803	
477,400	Montpelier Re Holdings Ltd.	10,254,607	9,458,914	
68,500	Old Republic International Corp.	1,035,880	927,727	
115,500	PartnerRe Ltd.	8,491,712	9,220,352	
236,800	Platinum Underwriters Holdings Ltd.	8,030,978	10,581,282	
106,300	XL Group PLC	980,439	2,303,682	
36,000	XL Group PLC, PFD	1,090,566	1,106,052	
	<b>Total Insurance</b>	<u>42,085,148</u>	<u>53,886,862</u>	<u>38.09</u>
	<b>TOTAL FINANCIALS</b>	<u>51,538,756</u>	<u>63,044,533</u>	<u>44.57</u>
<b>INFORMATION TECHNOLOGY</b>				
<b>Technology Hardware &amp; Equipment</b>				
119,500	Celestica Inc.	564,650	1,153,175	
	<b>TOTAL INFORMATION TECHNOLOGY</b>	<u>564,650</u>	<u>1,153,175</u>	<u>0.82</u>
<b>REAL ESTATE</b>				
8,300	FirstService Corp., 7%, PFD	151,627	202,884	
39,840	Plum Creek Timber Co., Inc.	1,375,917	1,482,535	
	<b>TOTAL REAL ESTATE</b>	<u>1,527,544</u>	<u>1,685,419</u>	<u>1.19</u>
	<b>TOTAL STOCKS</b>	<u>105,239,488</u>	<u>132,712,380</u>	<u>93.82</u>
	<b>Transaction Costs (Note 3)</b>	(196,257)		
	<b>TOTAL INVESTMENTS</b>	<u>113,190,586</u>	<u>141,449,107</u>	<u>100.00</u>

\*Denotes a manually priced security using a fair-valuation model (note 2).

(See accompanying notes to the financial statements.)

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**December 31, 2010 and 2009**

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

The Vertex Managed Value Portfolio (the "Fund") was created on March 31, 1998 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 April 3, 1998. Effective June 1, 2007, the name of the Fund was changed from Vertex Balanced Fund. These financial statements have been prepared for the year ended December 31, 2010 and 2009.

The investment objective of the Fund is to provide excess returns with modest volatility above benchmarks, Balanced Fund Index and S&P/TSX.

### **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**

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 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.

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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As at December 31, 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	\$ 15.48	\$ 14.01	\$ 15.49	\$ 14.04
Class B	5.88	5.37	5.89	5.38
Class F	15.48	14.02	15.50	14.05

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The difference between the net asset value per unit and the net assets per unit reported in the Statements 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.

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 receivable, 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.

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**December 31, 2010 and 2009**

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### **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 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 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.

### **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:

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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- 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.

### 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 weighted average units outstanding during the year.

### 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.

	Financial Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 132,629,230	\$ -	\$ -	\$ 132,629,230
Bonds	-	8,523,402	213,325	8,736,727
Warrants	78,000	5,150	-	83,150
	<u>\$ 132,707,230</u>	<u>\$ 8,528,552</u>	<u>\$ 213,325</u>	<u>\$ 141,449,107</u>

There were no transfers between levels during 2010.

# Vertex Managed Value Portfolio

## Notes to Financial Statements

### December 31, 2010 and 2009

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.

<b>Financial Assets at fair value as at December 31, 2009</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Equities - Long	\$ 118,164,347	\$ -	\$ -	\$ 118,164,347
Bonds	-	8,330,416	250,000	8,580,416
	<u>\$ 118,164,347</u>	<u>\$ 8,330,416</u>	<u>\$ 250,000</u>	<u>\$ 126,744,763</u>

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>Bonds- Long</b>
<b>Balance at December 31, 2009</b>		\$ 250,000
Net purchases and sales		-
Net transfers in (out)		-
Gains (Losses)		-
Realized		-
Unrealized		(36,675)
<b>Balance at December 31, 2010</b>		<u>\$ 213,325</u>
Total change in unrealized loss during the period for assets held at December 31, 2010		<u>\$ (36,675)</u>

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>Bonds- Long</b>
<b>Balance at December 31, 2008</b>		\$ -
Net purchases and sales		-
Net transfers in (out)		250,000
Gains (Losses)		-
Realized		-
Unrealized		-
<b>Balance at December 31, 2009</b>		<u>\$ 250,000</u>
Total change in unrealized gain or loss during the period for assets held at December 31, 2009		<u>\$ -</u>

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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### Level 3 sensitivity analysis

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of \$213,325 as of December 31, 2010 (2009 - \$250,000). 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 \$10,666 (2009 - \$ 12,500).

### 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:

	2010			2009		
	Class A	Class B	Class F	Class A	Class B	Class F
Units - Beginning of year	4,988,847	2,732,776	3,035,501	5,477,829	2,910,752	2,912,294
Units issued	505,892	209,835	216,205	175,079	224,843	346,264
Units redeemed	(438,434)	(279,567)	(263,164)	(664,061)	(402,819)	(223,057)
Units - End of year	5,056,305	2,663,044	2,988,542	4,988,847	2,732,776	3,035,501

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:

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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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: 1.9% 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 percentage increase in Net Asset Value per Unit exceeds a threshold annualized increase of 5% of the Net asset value of such Units at the beginning of that fiscal year. The Performance Fee is accrued monthly and is payable for each calendar year. The Performance Fee is payable by the Fund within 10 business days from the year-end. Upon 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 month in which the Units were redeemed.

There were \$1,912,680 in performance fees incurred for the year ended December 31, 2010 (2009 - \$2,534,173), of which \$1,907,174 (2009 - \$nil) was outstanding at year end.

### *c) 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 and promotional expenses which are paid for by the Investment Manager), record keeping and legal fees and expenses, custody and safekeeping charges.

## **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. 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 provision 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 \$17,344,412 (2009 - \$12,365,993) of capital losses and non capital losses of \$469,059 (2009 - \$nil) 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. Non capital losses can be carried forward for 20 years and will expire by 2030 if not utilized.

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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### 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 \$6,615 soft dollar commissions paid (2009 - \$32,582) 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 Statements 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.

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, 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:

#### (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 S&P 500 Large Cap Index had increased or decreased by 5% with all other variables held constant, this would have approximately increased or decreased net assets to

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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amount in difference of \$6,635,619 (December 31, 2009 - \$5,908,217). Actual results may differ from this sensitivity analysis and those results could be material.

**(b) Interest rate risk**

As at December 31, 2010, 6.49% (2009 – 6.77%) of the Funds’ investment portfolio consists of interest bearing corporate bonds, as well as cash and cash equivalents. As a result, the Fund was subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund’s cash flows.

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

	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	\$ -	\$ -	\$ -	\$ 132,712,380	\$ 132,712,380
Bonds	2,335,141	4,637,878	1,763,708	-	8,736,727
Cash and cash equivalents	448,818	-	-	-	448,818
Accrued interest and dividends receivable	-	-	-	199,854	199,854
Subscriptions receivable	-	-	-	1,090,913	1,090,913
<b>Total Assets</b>	<b>2,783,959</b>	<b>4,637,878</b>	<b>1,763,708</b>	<b>134,003,147</b>	<b>143,188,692</b>
<b>Liabilities</b>					
Accrued performance fees	-	-	-	1,907,174	1,907,174
Management fees payable	-	-	-	143,783	143,783
Accounts payable and accrued liabilities	-	-	-	70,857	70,857
Redemptions payable	-	-	-	891,966	891,966
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,013,780</b>	<b>3,013,780</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 2,783,959</b>	<b>\$ 4,637,878</b>	<b>\$ 1,763,708</b>	<b>\$ 130,989,367</b>	<b>\$ 140,174,912</b>

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## Notes to Financial Statements

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	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	\$ -	\$ -	\$ -	\$ 118,164,347	\$ 118,164,347
Bonds	-	6,206,371	2,374,045	-	8,580,416
Cash and cash equivalents	98,503	-	-	-	98,503
Accrued interest and dividends receivable	-	-	-	244,952	244,952
Subscriptions receivable	-	-	-	615,849	615,849
<b>Total Assets</b>	<b>98,503</b>	<b>6,206,371</b>	<b>2,374,045</b>	<b>119,025,148</b>	<b>127,704,067</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	-	-	-	91,003	91,003
Redemptions payable	-	-	-	491,608	491,608
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>582,611</b>	<b>582,611</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 98,503</b>	<b>\$ 6,206,371</b>	<b>\$ 2,374,045</b>	<b>\$ 118,442,537</b>	<b>\$ 127,121,456</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 \$51,957 (2009 - \$58,121). 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 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 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.

	December 31, 2010	December 31, 2009
<b>Currency</b>	<b>Exposure</b>	
U.S. Dollar	\$ 84,478,827	\$ 89,245,146

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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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 decrease or increase respectively in net assets would approximately amount to values \$4,223,941 (December 31, 2009 - \$4,462,257). 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 bonds. 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 are noted below:

<b>Portfolio by rating category</b>		
<b>Rating</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
A/A	0.06%	0.06%
BBB/Bbb	0.02%	0.75%
BB/Bb	0.55%	1.08%
B/B	1.64%	0.71%
CCC/Ccc	1.58%	1.37%
Unclassified	2.38%	2.80%
<b>Total</b>	<b>6.23%</b>	<b>6.77%</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 payment. Payment is made 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.

**(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

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

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

### **11. 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.