

Vertex Value Fund

Financial Statements

December 31, 2010

March 31, 2011

Independent Auditor's Report

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

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto-Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215
www.pwc.com/ca

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 Value Fund

Statements of Net Assets

As at December 31

	2010	2009
Assets		
Investments at fair value (cost - \$9,029,576; 2009 - \$3,913,028)	\$ 10,172,956	\$ 4,044,779
Cash and cash equivalents	238,882	254,380
Due from manager	-	23,511
Unrealized gain on forward contracts	640	-
Accrued interest and dividends receivable	7,852	3,195
Subscriptions receivable	56,962	87,333
	<u>10,477,292</u>	<u>4,413,198</u>
Liabilities		
Accrued performance fees (note 5b)	69,762	33,056
Accounts payable and accrued liabilities	58,959	23,511
Due to broker	-	143,276
Redemptions payable	18,967	-
	<u>147,688</u>	<u>199,843</u>
Net assets representing unitholders' equity	<u>\$ 10,329,604</u>	<u>\$ 4,213,355</u>
Net assets representing unitholders' equity per Class		
Class B	\$ 5,572,589	\$ 2,223,046
Class F	\$ 4,757,015	\$ 1,990,309
Net assets per unit (Note 2)		
Class B	\$ 12.07	\$ 10.41
Class F	\$ 12.10	\$ 10.42

Approved by the Fund Manager

"Signed"

Matthew A. Wood

Director

"Signed"

Jeffrey McCord

Director

(See accompanying notes to the financial statements.)

Vertex Value 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
Investment income		
Dividends (net of withholding tax: \$12,691; 2009 - \$664)	\$ 129,993	\$ 7,168
Interest	286	200
Other income	12,639	-
	<u>142,918</u>	<u>7,368</u>
Expenses (Note 5)		
Performance fees	135,833	33,056
Management fees	124,436	3,946
Securityholder reporting costs	59,067	16,967
Other administrative expenses	19,353	3,196
Custody fees	12,081	3,348
Audit fees	18,004	10,500
Legal fees	17,453	-
IRC fees	19,000	9,040
	<u>405,227</u>	<u>80,053</u>
Net investment loss before absorbed expenses	(262,309)	(72,685)
Expenses absorbed by manager (Note 5)	208,010	46,997
Net investment loss	(54,299)	(25,688)
Realized and unrealized gain (loss) on investments		
Realized gain on sale of investments	43,822	4,347
Transaction costs (Note 2)	(16,686)	(8,342)
Change in unrealized appreciation on investments	1,012,269	131,751
Change in unrealized depreciation on foreign currency	(409)	(25)
Net realized and unrealized gain on investments	1,038,996	127,731
Increase in net assets from operations	\$ 984,697	\$ 102,043
Increase in net assets from operations per Class		
Class B	\$ 536,132	\$ 7,734
Class F	\$ 448,565	\$ 94,309
Increase in net assets from operations per unit (Note 4)*		
Class B	\$ 1.42	\$ 0.11
Class F	\$ 1.45	\$ 0.70

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

(See accompanying notes to the financial statements.)

Vertex Value 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	2010	2009
Net assets, beginning of period	\$ 2,223,046	\$ -	\$ 1,990,309	\$ -
Increase in net assets from operations	536,132	7,734	448,565	94,309
Capital transactions (Note 4)				
Proceeds from issuance of units	3,441,864	2,215,312	2,768,832	1,896,000
Redemption of units	(628,453)	-	(450,691)	-
Reinvestment of distributions	-	4,441	-	3,976
	<u>2,813,411</u>	<u>2,219,753</u>	<u>2,318,141</u>	<u>1,899,976</u>
Distributions to unitholders				
From net investment income	-	(2,140)	-	(1,916)
From net realized gains	-	(2,301)	-	(2,060)
	<u>-</u>	<u>(4,441)</u>	<u>-</u>	<u>(3,976)</u>
Net assets, end of period	\$ 5,572,589	\$ 2,223,046	\$ 4,757,015	\$ 1,990,309
	Total			
	2010	2009		
Net assets, beginning of period	\$ 4,213,355	\$ -		
Increase in net assets from operations	984,697	102,043		
Capital transactions (Note 4)				
Proceeds from issuance of units	6,210,696	4,111,312		
Redemption of units	(1,079,144)	-		
Reinvestment of distributions	-	8,417		
	<u>5,131,552</u>	<u>4,119,729</u>		
Distributions to unitholders				
From net investment income	-	(4,056)		
From net realized gains	-	(4,361)		
	<u>-</u>	<u>(8,417)</u>		
Net assets, end of period	\$ 10,329,604	\$ 4,213,355		

(See accompanying notes to the financial statements.)

Vertex Value Fund

Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
STOCKS				
MATERIALS				
10,000	Acadian Timber Corp.	66,755	74,100	
39,500	Canfor Corp.	292,167	438,450	
54,250	Conifex Timber Inc.	443,325	450,275	
178,900	Fibrex Inc.	149,203	196,790	
147,500	International Forest Products Ltd., Class A	638,473	826,000	
30,835	Norbord Inc.	412,679	451,116	
76,200	PRT Forest Regeneration Income Fund	143,445	184,404	
110,578	Timberwest Forest Corp., Class U	463,721	464,428	
8,800	West Fraser Timber Co., Ltd.	282,930	412,192	
1,226	Weyerhaeuser Co.	20,006	23,061	
	TOTAL MATERIALS	2,912,704	3,520,816	34.61
INDUSTRIALS				
Capital Goods				
520,000	Eacom Timber Corp.	261,000	338,000	
1,900	General Electric Co.	31,220	34,530	
900	Ingersoll-Rand PLC	30,668	42,112	
	Total Capital Goods	322,888	414,642	4.08
	TOTAL INDUSTRIALS	322,888	414,642	4.08
CONSUMER DISCRETIONARY				
Consumer Durables & Apparel				
16,200	Mattel Inc.	384,558	409,189	
	Total Consumer Durables & Apparel	384,558	409,189	4.02
Consumer Services				
4,000	Whistler Blackcomb Holdings Inc.	48,000	48,040	
	Total Consumer Services	48,000	48,040	0.47
	TOTAL CONSUMER DISCRETIONARY	432,558	457,229	4.49
HEALTH CARE				
Pharmaceuticals & Biotechnology				
8,100	Bristol-Myers Squibb Co.	208,310	213,126	
4,970	Merck & Co., Inc.	183,848	177,982	
14,600	Pfizer Inc.	263,502	254,023	
31,800	QLT Inc.	153,774	230,550	
9,721	Valeant Pharmaceuticals International Inc.	154,712	274,229	
	Total Pharmaceuticals & Biotechnology	964,146	1,149,910	11.30
	TOTAL HEALTH CARE	964,146	1,149,910	11.30
FINANCIALS				
Banks				
18,723	Banco Santander SA, ADR	204,601	197,948	
14,700	KeyCorp	91,557	129,269	
29,200	Regions Financial Corp.	172,812	202,812	
2,300	SunTrust Banks Inc.	50,444	67,396	
80,000	Synovus Financial Corp.	198,666	209,859	
11,300	Zions Bancorporation	241,943	271,948	
	Total Banks	960,023	1,079,232	10.61
Diversified Financials				
14,700	Bank of America Corp.	195,477	194,853	
61,300	Citigroup Inc.	260,763	288,108	
	Total Diversified Financials	456,240	482,961	4.75

(See accompanying notes to the financial statements.)

Vertex Value Fund

Statement of Investments

As at December 31, 2010

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
Insurance				
5,650	Aspen Insurance Holdings Ltd.	156,857	160,676	
1,865	Fairfax Financial Holdings Ltd.	711,607	757,694	
7,800	Genworth Financial Inc., Class A	117,620	101,841	
125,000	Kingsway Financial Services Inc.	242,750	173,750	
13,800	Montpelier Re Holdings Ltd.	245,946	273,425	
16,500	Old Republic International Corp.	243,659	223,467	
4,100	PartnerRe Ltd.	326,256	327,303	
5,600	Platinum Underwriters Holdings Ltd.	216,403	250,233	
3,400	Validus Holdings Ltd.	90,983	103,379	
11,800	XL Group PLC	225,350	255,724	
	Total Insurance	2,577,431	2,627,492	25.83
Real Estate				
1,560	Plum Creek Timber Co., Inc.	56,900	58,051	
	Total Real Estate	56,900	58,051	0.57
	TOTAL FINANCIALS	4,050,594	4,247,736	41.75
INFORMATION TECHNOLOGY				
Technology Hardware & Equipment				
39,650	Celestica Inc.	368,191	382,623	
	TOTAL INFORMATION TECHNOLOGY	368,191	382,623	3.76
	TOTAL STOCKS	9,051,081	10,172,956	99.99
FORWARD CONTRACTS				
	Sell USD 75,000, Buy CAD 76,564 @ 1.02085 - February 22, 2011	-	1,954	
	Buy USD 75,000, Sell CAD 75,922 @ 1.012293 - February 22, 2011	-	(1,314)	
	TOTAL FORWARD CONTRACTS	-	640	0.01
	Transaction Cost (Note 2)	(21,505)		
	TOTAL INVESTMENTS	9,029,576	10,173,596	100.00

(See accompanying notes to the financial statements.)

Vertex Value Fund

Notes to Financial Statements

December 31, 2010 and 2009

1. Establishment of trust

The Vertex Value 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 provide long term capital growth by investing primarily in equity securities of Canadian and United States companies.

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	2010	2009
Class B	12.07	10.41	12.07	10.44
Class F	12.10	10.42	12.11	10.45

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. 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.

Vertex Value Fund

Notes to Financial Statements

December 31, 2010 and 2009

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, subscription receivable and other assets are designated as loans and other receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, accounts payable, accrued liabilities redemptions payable and other liabilities 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.

Vertex Value Fund

Notes to Financial Statements

December 31, 2010 and 2009

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.

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 on each valuation 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 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 period.

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

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

quoted prices in active markets for identical assets or liabilities (level 1 measurement) and 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	\$	10,172,956	\$	-	\$	-	\$ 10,172,956
Forward contracts		-		640		-	640
	\$	10,172,956	\$	640	\$	-	\$ 10,173,596

There were no transfers between levels during 2010.

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	\$	4,044,779	\$	-	\$	-	\$ 4,044,779
	\$	4,044,779	\$	-	\$	-	\$ 4,044,779

There were no transfers between levels during 2009.

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

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

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 B	Class F	Class B	Class F
Units-Beginning of period	213,567	191,029	-	-
Units issued	306,147	243,725	213,141	190,648
Units reinvested	-	-	426	381
Units redeemed	(57,928)	(41,532)	-	-
Units-End of period	461,786	393,222	213,567	191,029

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)

Vertex Value Fund

Notes to Financial Statements

December 31, 2010 and 2009

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, which deficiency will carry forward for one year. In addition, the highest daily net asset value per unit for each class of units from time 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.

The performance fees incurred for the year ended December 31, 2010 were \$135,833 (2009 – \$ 33,056) of which \$69,762 (2009 - \$33,056) was outstanding as at year end.

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 due to the size of the Fund.

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 at December 31, 2010, there were no capital losses and no 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 \$5,117 (2009 – \$2,067) 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.

Vertex Value Fund

Notes to Financial Statements

December 31, 2010 and 2009

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, accrued interest and dividends receivable, 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 a difference of \$508,648 (2009 – \$202,239). 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.

Vertex Value Fund

Notes to Financial Statements

December 31, 2010 and 2009

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

Currency	December 31, 2010 Exposure	December 31, 2009 Exposure
U.S. Dollar	\$ 4,495,130	\$ 1,953,577

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 \$224,757 (2009 – \$97,629). Actual results may differ from this sensitivity analysis and those results could be material.

(d) *Credit risk*

As at December 31, 2010, the Fund had no significant investments (2009 – nil) in debt instruments and/or derivatives. Credit risk is considered negligible

(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.