

# **Vertex Value Fund**

**Semi-Annual Financial Statements**

**June 30, 2011 (Unaudited)**

# Vertex Value Fund

## Statements of Net Assets

|                                                                     | (Unaudited)<br>June 30,<br>2011 | (Audited)<br>December 31,<br>2010 |
|---------------------------------------------------------------------|---------------------------------|-----------------------------------|
| <b>Assets</b>                                                       |                                 |                                   |
| Investments at fair value (cost - \$18,294,929; 2010 - \$9,029,576) | \$ 18,039,441                   | \$ 10,172,956                     |
| Cash and cash equivalents                                           | 1,434,306                       | 238,882                           |
| Unrealized gain on forward contracts                                | -                               | 640                               |
| Accrued interest and dividends receivable                           | 17,581                          | 7,852                             |
| Subscriptions receivable                                            | 5,000                           | 56,962                            |
|                                                                     | <u>19,496,328</u>               | <u>10,477,292</u>                 |
| <b>Liabilities</b>                                                  |                                 |                                   |
| Accrued performance fees (note 5b)                                  | -                               | 69,762                            |
| Accounts payable and accrued liabilities                            | 36,343                          | 58,959                            |
| Redemptions payable                                                 | -                               | 18,967                            |
|                                                                     | <u>36,343</u>                   | <u>147,688</u>                    |
| <b>Net assets representing unitholders' equity</b>                  | <u>\$ 19,459,985</u>            | <u>\$ 10,329,604</u>              |
| <b>Net assets representing unitholders' equity per Class</b>        |                                 |                                   |
| Class B                                                             | \$ 7,682,324                    | \$ 5,572,589                      |
| Class F                                                             | \$ 11,777,661                   | \$ 4,757,015                      |
| <b>Net assets per unit (Note 2)</b>                                 |                                 |                                   |
| Class B                                                             | \$ 11.66                        | \$ 12.07                          |
| Class F                                                             | \$ 11.69                        | \$ 12.10                          |

Approved by the Fund Manager

(signed) "Matthew A. Wood"

Matthew A. Wood

**Director**

(signed) "Jeffrey McCord"

Jeffrey McCord

**Director**

(See accompanying notes to the financial statements.)

# Vertex Value Fund

## Statements of Operations

For the periods ended June 30 (unaudited)

|                                                                  | 2011                  | 2010                |
|------------------------------------------------------------------|-----------------------|---------------------|
| <b>Investment income</b>                                         |                       |                     |
| Dividends (net of withholding tax: \$13,361; 2010 - \$2,593)     | \$ 176,646            | \$ 45,507           |
| Interest                                                         | 681                   | (96)                |
|                                                                  | <u>177,327</u>        | <u>45,411</u>       |
| <b>Expenses (Note 5)</b>                                         |                       |                     |
| Performance fees                                                 | -                     | 135,833             |
| Management fees                                                  | 138,238               | -                   |
| Securityholder reporting costs                                   | 10,081                | 29,430              |
| Other administrative expenses                                    | 33,658                | 10,362              |
| Custody fees                                                     | 10,033                | 5,708               |
| Derivatives transaction fees                                     | 490                   | -                   |
| Audit fees                                                       | 28,402                | 9,750               |
| Legal fees                                                       | 103                   | 8,901               |
| Trustee fees                                                     | 3,802                 | -                   |
| IRC fees                                                         | 6,785                 | 10,250              |
|                                                                  | <u>231,592</u>        | <u>210,234</u>      |
| <b>Net investment income (loss) before absorbed expenses</b>     | <b>(54,265)</b>       | <b>(164,823)</b>    |
| <b>Expenses absorbed by manager (Note 5)</b>                     | <b>138,238</b>        | <b>56,585</b>       |
| <b>Net investment income (loss)</b>                              | <b>83,973</b>         | <b>(108,238)</b>    |
| <b>Realized and unrealized gain (loss) on investments</b>        |                       |                     |
| Realized gain (loss) on sale of investments                      | 213,677               | (9,610)             |
| Transaction costs (Note 2)                                       | (26,799)              | (9,815)             |
| Change in unrealized depreciation on investments                 | (1,357,085)           | (110,239)           |
| Change in unrealized appreciation on foreign currency            | 165                   | 452                 |
| <b>Net realized and unrealized loss on investments</b>           | <b>(1,170,042)</b>    | <b>(129,212)</b>    |
| <b>Decrease in net assets from operations</b>                    | <b>\$ (1,086,069)</b> | <b>\$ (237,450)</b> |
| <b>Decrease in net assets from operations per Class</b>          |                       |                     |
| Class B                                                          | \$ (362,646)          | \$ (124,324)        |
| Class F                                                          | \$ (723,423)          | \$ (113,126)        |
| <b>Decrease in net assets from operations per unit (Note 4)*</b> |                       |                     |
| Class B                                                          | \$ (0.61)             | \$ (0.39)           |
| Class F                                                          | \$ (0.89)             | \$ (0.44)           |

\* 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 periods ended June 30 (unaudited)

|                                               | Class B           |                  | Class F          |                  |
|-----------------------------------------------|-------------------|------------------|------------------|------------------|
|                                               | 2011              | 2010             | 2011             | 2010             |
| <b>Net assets, beginning of period</b>        | \$ 5,572,589      | \$ 2,223,046     | \$ 4,757,015     | \$ 1,990,309     |
| <b>Decrease in net assets from operations</b> | (362,646)         | (124,324)        | (723,423)        | (113,126)        |
| <b>Capital transactions (Note 4)</b>          |                   |                  |                  |                  |
| Proceeds from issuance of units               | 3,200,524         | 2,578,844        | 7,804,678        | 1,560,900        |
| Redemption of units                           | (728,143)         | (39,690)         | (60,609)         | (48,212)         |
| Reinvestment of distributions                 | -                 | -                | -                | -                |
|                                               | <u>2,472,381</u>  | <u>2,539,154</u> | <u>7,744,069</u> | <u>1,512,688</u> |
| <b>Net assets, end of period</b>              | \$ 7,682,324      | \$ 4,637,876     | \$ 11,777,661    | \$ 3,389,871     |
|                                               |                   |                  |                  |                  |
|                                               | Total             |                  |                  |                  |
|                                               | 2011              | 2010             |                  |                  |
| <b>Net assets, beginning of period</b>        | \$ 10,329,604     | \$ 4,213,355     |                  |                  |
| <b>Decrease in net assets from operations</b> | (1,086,069)       | (237,450)        |                  |                  |
| <b>Capital transactions (Note 4)</b>          |                   |                  |                  |                  |
| Proceeds from issuance of units               | 11,005,202        | 4,139,744        |                  |                  |
| Redemption of units                           | (788,752)         | (87,902)         |                  |                  |
| Reinvestment of distributions                 | -                 | -                |                  |                  |
|                                               | <u>10,216,450</u> | <u>4,051,842</u> |                  |                  |
| <b>Net assets, end of period</b>              | \$ 19,459,985     | \$ 8,027,747     |                  |                  |

(See accompanying notes to the financial statements.)

# Vertex Value Fund

## Statement of Investments

As at June 30, 2011(Unaudited)

| Number of<br>Shares                        | Description                                      | Average<br>Cost<br>\$ | Fair<br>Value<br>\$ | % of<br>Total |
|--------------------------------------------|--------------------------------------------------|-----------------------|---------------------|---------------|
| <b>STOCKS</b>                              |                                                  |                       |                     |               |
| <b>MATERIALS</b>                           |                                                  |                       |                     |               |
| 10,000                                     | Acadian Timber Corp.                             | 66,755                | 117,900             |               |
| 76,600                                     | Canfor Corp.                                     | 750,798               | 808,130             |               |
| 84,250                                     | Conifex Timber Inc.                              | 726,075               | 813,013             |               |
| 178,900                                    | Fibrex Inc.                                      | 149,203               | 241,515             |               |
| 247,500                                    | International Forest Products Ltd., Class A      | 1,242,420             | 1,277,100           |               |
| 20,000                                     | Louisiana-Pacific Corp.                          | 186,174               | 157,119             |               |
| 49,835                                     | Norbord Inc.                                     | 701,353               | 603,502             |               |
| 76,200                                     | PRT Forest Regeneration Income Fund              | 143,445               | 243,840             |               |
| 748,100                                    | Prima Colombia Hardwood Inc.                     | 195,369               | 127,177             |               |
| 13,750                                     | West Fraser Timber Co., Ltd.                     | 538,663               | 718,850             |               |
| 1,226                                      | Weyerhaeuser Co.                                 | 20,006                | 25,841              |               |
|                                            | <b>TOTAL MATERIALS</b>                           | <b>4,720,261</b>      | <b>5,133,987</b>    | <b>28.46</b>  |
| <b>INDUSTRIALS</b>                         |                                                  |                       |                     |               |
| <b>Capital Goods</b>                       |                                                  |                       |                     |               |
| 970,000                                    | Eacom Timber Corp.                               | 520,225               | 286,150             |               |
| 350,000                                    | Eacom Timber Corp.                               | 175,000               | 103,250             |               |
| 1,900                                      | General Electric Co.                             | 31,220                | 34,547              |               |
| 3,876                                      | Ingersoll-Rand PLC                               | 171,302               | 169,867             |               |
|                                            | Total Capital Goods                              | 897,747               | 593,814             | 3.29          |
|                                            | <b>TOTAL INDUSTRIALS</b>                         | <b>897,747</b>        | <b>593,814</b>      | <b>3.29</b>   |
| <b>CONSUMER DISCRETIONARY</b>              |                                                  |                       |                     |               |
| <b>Consumer Durables &amp; Apparel</b>     |                                                  |                       |                     |               |
| 37,000                                     | Mattel Inc.                                      | 884,281               | 981,277             |               |
|                                            | <b>Total Consumer Durables &amp; Apparel</b>     | <b>884,281</b>        | <b>981,277</b>      | <b>5.44</b>   |
|                                            | <b>TOTAL CONSUMER DISCRETIONARY</b>              | <b>884,281</b>        | <b>981,277</b>      | <b>5.44</b>   |
| <b>HEALTH CARE</b>                         |                                                  |                       |                     |               |
| <b>Pharmaceuticals &amp; Biotechnology</b> |                                                  |                       |                     |               |
| 18,442                                     | Bristol-Myers Squibb Co.                         | 476,869               | 515,086             |               |
| 13,970                                     | Merck & Co., Inc.                                | 483,328               | 475,527             |               |
| 29,000                                     | Pfizer Inc.                                      | 536,925               | 576,272             |               |
| 51,800                                     | QLT Inc.                                         | 296,436               | 358,456             |               |
| 9,821                                      | Valeant Pharmaceuticals International Inc.       | 201,919               | 492,130             |               |
|                                            | <b>Total Pharmaceuticals &amp; Biotechnology</b> | <b>1,995,477</b>      | <b>2,417,471</b>    | <b>13.40</b>  |
|                                            | <b>TOTAL HEALTH CARE</b>                         | <b>1,995,477</b>      | <b>2,417,471</b>    | <b>13.40</b>  |
| <b>FINANCIALS</b>                          |                                                  |                       |                     |               |
| <b>Banks</b>                               |                                                  |                       |                     |               |
| 49,723                                     | Banco Santander SA, ADR                          | 570,066               | 552,339             |               |
| 19,630                                     | Citigroup Inc                                    | 878,505               | 788,110             |               |
| 46,400                                     | KeyCorp.                                         | 360,178               | 372,576             |               |
| 29,200                                     | Regions Financial Corp.                          | 172,812               | 174,440             |               |
| 11,400                                     | SunTrust Banks Inc.                              | 298,532               | 283,526             |               |
| 180,000                                    | Synovus Financial Corp.                          | 464,755               | 359,597             |               |
| 25,300                                     | Zions Bancorporation                             | 557,934               | 586,010             |               |
|                                            | <b>Total Banks</b>                               | <b>3,302,782</b>      | <b>3,116,598</b>    | <b>17.28</b>  |
| <b>Diversified Financials</b>              |                                                  |                       |                     |               |
| 36,600                                     | Bank of America Corp.                            | 482,116               | 386,784             |               |
|                                            | <b>Total Diversified Financials</b>              | <b>482,116</b>        | <b>386,784</b>      | <b>2.14</b>   |

(See accompanying notes to the financial statements.)

## Vertex Value Fund

### Statement of Investments

As at June 30, 2011(Unaudited)

| Number of<br>Shares                        | Description                         | Average<br>Cost<br>\$ | Fair<br>Value<br>\$ | % of<br>Total |
|--------------------------------------------|-------------------------------------|-----------------------|---------------------|---------------|
| <b>Insurance</b>                           |                                     |                       |                     |               |
| 8,150                                      | Aspen Insurance Holdings Ltd.       | 229,376               | 202,381             |               |
| 4,453                                      | Fairfax Financial Holdings Ltd.     | 1,714,869             | 1,718,858           |               |
| 50,500                                     | Genworth Financial Inc., Class A    | 646,600               | 500,536             |               |
| 23,800                                     | Montpelier Re Holdings Ltd.         | 443,907               | 413,679             |               |
| 16,500                                     | Old Republic International Corp.    | 243,659               | 187,109             |               |
| 6,600                                      | PartnerRe Ltd.                      | 528,924               | 438,106             |               |
| 23,100                                     | Platinum Underwriters Holdings Ltd. | 937,157               | 740,602             |               |
| 4,336                                      | Validus Holdings Ltd.               | 119,679               | 129,516             |               |
| 20,000                                     | XL Group PLC                        | 408,979               | 424,259             |               |
|                                            | <b>Total Insurance</b>              | <b>5,273,150</b>      | <b>4,755,046</b>    | <b>26.36</b>  |
| <b>Real Estate</b>                         |                                     |                       |                     |               |
| 1,560                                      | Plum Creek Timber Co., Inc.         | 56,900                | 61,005              |               |
|                                            | <b>Total Real Estate</b>            | <b>56,900</b>         | <b>61,005</b>       | <b>0.34</b>   |
|                                            | <b>TOTAL FINANCIALS</b>             | <b>9,114,948</b>      | <b>8,319,433</b>    | <b>46.12</b>  |
| <b>INFORMATION TECHNOLOGY</b>              |                                     |                       |                     |               |
| <b>Technology Hardware &amp; Equipment</b> |                                     |                       |                     |               |
| 70,650                                     | Celestica Inc.                      | 682,218               | 593,460             |               |
|                                            | <b>TOTAL INFORMATION TECHNOLOGY</b> | <b>682,218</b>        | <b>593,460</b>      | <b>3.29</b>   |
|                                            | <b>TOTAL STOCKS</b>                 | <b>18,294,932</b>     | <b>18,039,442</b>   | <b>100.00</b> |
|                                            | <b>Transaction Costs (Note 2)</b>   | <b>(42,423)</b>       |                     |               |
|                                            | <b>TOTAL INVESTMENTS</b>            | <b>18,252,509</b>     | <b>18,039,442</b>   | <b>100.00</b> |

(See accompanying notes to the financial statements.)

# Vertex Value Fund

## Notes to Financial Statements

### June 30, 2011 (unaudited)

---

#### 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 June 30, 2011, the Fund's net asset value per unit was:

|         | Net Assets Per Unit |                   | Net Asset Value Per Unit |                   |
|---------|---------------------|-------------------|--------------------------|-------------------|
|         | June 30, 2011       | December 31, 2010 | June 30, 2011            | December 31, 2010 |
| Class B | 11.66               | 12.07             | 11.70                    | 12.07             |
| Class F | 11.69               | 12.10             | 11.73                    | 12.11             |

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**

### **June 30, 2011 (unaudited)**

---

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 June 30, 2011 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**

### **June 30, 2011 (unaudited)**

---

#### **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 period 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 period, 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 2010 comparative figures have been reclassified to conform with the financial statements presentation adopted per the current period.

### **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 lowest

**Vertex Value Fund**  
**Notes to Financial Statements**  
**June 30, 2011 (unaudited)**

---

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 June 30, 2011.

| <b>Financial Assets at fair value as at June 30, 2011</b> |                |            |                |   |                |   |               |
|-----------------------------------------------------------|----------------|------------|----------------|---|----------------|---|---------------|
|                                                           | <b>Level 1</b> |            | <b>Level 2</b> |   | <b>Level 3</b> |   | <b>Total</b>  |
| Equities - Long                                           | \$             | 18,039,441 | \$             | - | \$             | - | \$ 18,039,441 |
|                                                           | \$             | 18,039,441 | \$             | - | \$             | - | \$ 18,039,441 |

There were no transfers between levels during the period ended June 30, 2011.

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.

| <b>Financial Assets at fair value as at December 31, 2010</b> |                |            |                |     |                |   |               |
|---------------------------------------------------------------|----------------|------------|----------------|-----|----------------|---|---------------|
|                                                               | <b>Level 1</b> |            | <b>Level 2</b> |     | <b>Level 3</b> |   | <b>Total</b>  |
| 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.

**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

**Vertex Value Fund**  
**Notes to Financial Statements**  
**June 30, 2011 (unaudited)**

---

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 period:

|                           | 2011            |                  | 2010    |         |
|---------------------------|-----------------|------------------|---------|---------|
|                           | Class B         | Class F          | Class B | Class F |
| Units-Beginning of period | <b>461,786</b>  | <b>393,222</b>   | 213,567 | 191,029 |
| Units issued              | <b>257,158</b>  | <b>619,063</b>   | 230,130 | 134,383 |
| Units reinvested          | -               | -                | -       | -       |
| Units redeemed            | <b>(60,079)</b> | <b>(4,707)</b>   | (3,378) | (4,301) |
| Units-End of period       | <b>658,865</b>  | <b>1,007,578</b> | 440,319 | 321,111 |

Certain directors and/or related parties of the fund held greater than 10% of the fund units at June 30, 2011.

**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, which deficiency will carry forward for one year. In addition, the highest daily net asset

# **Vertex Value Fund**

## **Notes to Financial Statements**

### **June 30, 2011 (unaudited)**

---

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 period ended June 30, 2011 were \$nil (2010 – \$ 135,833) of which \$nil (December 31, 2010 - \$69,762) was outstanding as at period 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, waived certain management 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 \$nil (2010 – \$6,054) soft dollar commissions paid during the period.

#### **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.

# **Vertex Value Fund**

## **Notes to Financial Statements**

### **June 30, 2011 (unaudited)**

---

As at June 30, 2011, there were no securities on loan (December 31, 2010 – \$nil) and no collateral (December 31, 2010 – \$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 June 30, 2011, 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 \$901,972 (December 31, 2010 – \$508,648). 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 June 30, 2011 and December 31, 2010, 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.

**Vertex Value Fund**  
**Notes to Financial Statements**  
**June 30, 2011 (unaudited)**

---

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

| <b>Currency</b> | <b>June 30,<br/>2011<br/>Exposure</b> | <b>December 31,<br/>2010<br/>Exposure</b> |
|-----------------|---------------------------------------|-------------------------------------------|
| U.S. Dollar     | \$ 9,571,115                          | \$ 4,495,130                              |

As at June 30, 2011, 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 \$478,556 (December 31, 2010 – \$224,757). Actual results may differ from this sensitivity analysis and those results could be material.

**(d) Credit risk**

As at June 30, 2011, the Fund had no significant investments (December 31, 2010 – \$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.