

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2011

**VERTEX GROWTH FUND**

Integrity | Service | Performance | Independence



This interim management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. You can get a copy of the semi-annual financial statements at your request, and at no cost, by calling 1-866-681-5787, by writing to us at:

Vertex One Asset Management Inc.  
Suite 1920 – 1177 West Hastings Street  
Vancouver, BC  
V6E 2K3

or by visiting our website at

[www.vertexone.com](http://www.vertexone.com)

or

SEDAR at [www.sedar.com](http://www.sedar.com)

Securityholders may also contact us using one of these methods to request a copy of the investments fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## MANAGEMENT DISCUSSION AND FUND PERFORMANCE

### Results of Operation

The Fund ended the first six months of 2011 with returns of -6.20% for Class B shares and -6.19% for Class F shares.

We were happy with the growth in all of our companies and in most cases market dynamics overruled company fundamentals. Part of our barbell strategy of holding large cap and small cap companies is to invest in companies with an asymmetric return profile to the rest of the portfolio. An example of this is the Extendicare real estate investment trust which pays an annual 84 cent dividend. They operate long term care facilities across North America which is a stable and growing industry as baby boomers age. We are fans of AngloGold Ashanti's preferred shares which pay a fixed 6% dividend with an option to convert into common shares. In addition, we hold Capital Power Income, an Edmonton based utility with a diversified North American portfolio of power facilities, which had a yield of 9%.

In February, Newmont Mining announced it would purchase Fronteer Gold for C\$2.3 Billion. Included in the acquisition is an exploration stubco (a spin-out company) called Pilot Gold which has properties in Nevada, Turkey and Peru. Attracted to the prospects of the stubco we allocated a large weight into Fronteer Gold post announcement. Lately, it has caught our attention how well many of these stubcos have performed once they are trading independently.

The Vertex Growth Fund is a concentrated fund that invests in companies displaying catalysts for price appreciation exceeding that of the general market. We are bottom-up investors and try not to base our decisions on general predictions about the market or economy. However, market sell-offs can be indiscriminate and may affect a portfolio regardless of the businesses held within it. As such, the fund is designed to be nimble and have the ability to apply assets to any opportunity we see fit. We're not restricted by sector guidelines or asset classes. This freedom allows us to change course if market or business conditions change unexpectedly.

Silver is an example of this. We like the investment thesis for silver. Silver however found itself under the guise of a hot commodity for the first four months of the year. By April, the normally overlooked commodity was trading daily volumes at absurd multiples to actual production rates through vehicles like the SLV ETF. As a result, the price surged and found itself at the barrier of \$50. This prompted a sudden sell-off of over 30% in a matter of days. Despite our opinion that ultimately the price of silver will trade higher, we reduced our exposure to most of the silver producers we held in order to avoid further volatility. We do continue to hold two small Canadian silver producers (one of which is Alexco Resource Corp).

Additionally, starting in May we shifted our focus to M&A which we see as providing more compelling opportunity in the current market. As we generally don't short in the fund due to the margin requirements of prospectus funds, our strategy is to be long the acquired company. This gives us the opportunity for returns uncorrelated to the general market. Some recent examples:

TMX Group was added with a large weight in June. We believe the bid by the Maple consortium of financial institutions will be successful and see the current spread as favourable.

We have a position in PetroHawk which is being purchased by BHP after their failed bid for Potash Corp left them hungry to spend.

The Level 3 Communications bid for Global Crossing presents compelling value on both sides. We like both companies, as high-speed bandwidth is the future king (especially with the popularity of Netflix), and are using a Texas hedge which involves owning both the buyer and the target. There's also the potential for a big player to make a move for both companies. The offer is 16 shares of L3 for each share of Global Crossing and following the announcement both stocks have risen 50%.

Our Capital Power Income Fund holding turned into an acquisition position in June as they agreed to an all cash purchase by Atlantic Power.

We continue to hold yield in the portfolio to provide income. We own Seaspan 9% Preferreds, AngloGold Ashanti 6% Preferreds, Canexus Income Fund, and the aforementioned Capital Power Income Fund.

We also have our eye on emerging trends in technology. Outside of the fiber optics of Level 3 and Global Crossing, Apple is a large weight in the portfolio. We are big fans of Apple, the stock trades at a reasonable valuation and they're masters at marketing and developing societal changing products. With a perennial life cycle for product launches more reliable than summer weather in Vancouver, they have a lot to look forward to.

## Future Accounting Changes

### International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian accounting standards and interpretations for publicly accountable enterprises in 2011. Vertex Asset One Management Inc. has developed a changeover plan to IFRS. The key elements of the changeover plan include assessment of significant IFRS and Canadian GAAP differences, analysis and conclusion on accounting policy choices, identification of additional disclosure requirements under IFRS, and preparation of the financial statements in accordance with IFRS with comparatives.

Based on its current assessment of the differences between IFRS and Canadian GAAP, Vertex One Asset Management has presently determined that there will be no significant impact to the Net Asset or Net Asset per unit as a result of the changeover. It is expected that the impact of IFRS will be limited to additional disclosure and potentially modification to the presentation of unitholder interests and certain other items. This present determination is subject to change if new standards or new interpretations of existing standards are issued before the changeover.

In September 2010, the AcSB approved a one year deferral of adoption of IFRS for investment companies currently applying Accounting Guideline 18, Investment Companies, which include investment funds. In January 2011, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its Decision Summary that the deferral is a result of the delay in the International Accounting Standards Board's ("IASB") investment company project and that a final

standard would likely not be issued before January 2012, the previous mandatory IFRS changeover date for investment companies in Canada.

Investment funds may continue to apply existing Canadian GAAP standards until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund will adopt IFRS for the fiscal period beginning January 1, 2013, and will issue the first financial statements under IFRS, including comparative information, for the interim period ending June 30, 2013.

### Related Party Transactions

During the period ended June 30, 2011, the fund incurred no performance fees. The fund incurred management fees in the amount of \$321,490 to its manager, Vertex One Asset Management, Inc.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the periods ending June 30<sup>th</sup>.

### The Fund’s Net Assets per Unit <sup>(3)</sup>

	06/30/2011 Class F	06/30/2011 Class B	2010 Class F	2010 Class B	2009 Class F	2009 Class B
<b>Net Assets, beginning of period <sup>(1)</sup></b>	<b>\$14.36</b>	<b>\$14.19</b>	<b>\$9.97</b>	<b>\$9.95</b>	<b>\$10.00(4)</b>	<b>\$10.00(4)</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.21	0.21	0.32	0.33	0.05	0.06
Total expenses	(0.19)	(0.26)	(0.81)	(0.84)	(0.06) <sup>(5)</sup>	(0.06) <sup>(5)</sup>
Realized gains (losses) for the period	0.49	0.48	1.13	1.18	(0.31)	(0.37)
Unrealized gains (losses) for the period	(1.59)	(1.46)	3.37	3.68	0.62	0.45
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(1.08)</b>	<b>(1.03)</b>	<b>4.01</b>	<b>4.35</b>	<b>0.30<sup>(5)</sup></b>	<b>0.08<sup>(5)</sup></b>
<b>Distributions :</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	0.01	0.01
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(1)(2)</sup></b>	<b>-</b>	<b>-</b>			<b>0.01</b>	<b>0.01</b>
<b>Net Assets, end of period</b>	<b>\$13.48</b>	<b>\$13.32</b>	<b>\$14.36</b>	<b>\$14.19</b>	<b>10.14<sup>(5)</sup></b>	<b>10.07<sup>(5)</sup></b>

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) This information is derived from the Fund’s audited annual financial statements. The net assets presented in the financial statements differ from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the notes to the financial statements.
- (4) Fund Commenced operations on September 21, 2009

### Ratios and Supplemental Data

	06/30/2011 Class F	06/30/2011 Class B	2010 Class F	2010 Class B	2009 Class F	2009 Class B
Total net asset value (\$ 000's) <sup>(1)</sup>	15,978	24,440	10,637	14,219	4,104	1,278
Number of units outstanding <sup>(1)</sup>	1,188,676	1,840,054	744,917	1,002,343	406,284	126,699
Management expense ratio (%) <sup>(2)</sup>	1.79	2.90	5.84	6.05	7.62(5)	7.71(5)
Management expense ratio before waivers or absorptions (%)	1.79	2.90	7.62	8.80	11.44(5)	12.09(5)
Portfolio turnover rate (%) <sup>(3)</sup>	107.44	107.44	195.23	195.23	39.30	39.30
Trading expense ratio (%) <sup>(4)</sup>	0.90	0.90	0.97	0.97	1.75	1.75
Net asset value per unit (\$)	13.47	13.31	14.28	14.19	10.10	10.08

- (1) The information is provided as at June 30 of the year shown.
- (2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

### Management Fees

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One Asset Management Inc a management fee, monthly in arrears, and calculated daily, on each business day, as a percentage of the net asset value of each class of Units that comprise a Fund.

The management fee may vary from Class to Class and will be deducted as an expense of the Fund in the calculation of the net profits of such Fund. The management fee for each of the existing classes of Units is as follows:

**Class B:** 1/12 of 2.0% (2% per annum) of the net asset value of the Class B Units on the last business day of the preceding month.

**Class F:** 1/12 of 1.0% (1% per annum) of the net asset value of the Class F Units on the last business day of the preceding month.

The Fund received services in consideration of the management fees as follows:

Services Provided	Class B	Class F
Distribution related costs	62.5%	0%
Portfolio Advisor and Management Services	37.50%	100%

### Performance Fees

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One Asset Management Inc a 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 the high-water mark described below.

- 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 a Fund is less than its benchmark, then no performance fee will be payable until the performance of such Fund relative to its benchmark has exceeded the amount of the deficiency. Any deficiency remaining after one year will be extinguished and the performance of a Fund will be measured against its benchmark, without regard to any prior deficiency.

In addition, the highest daily Net Asset Value per Unit for each Class of Units for a day on which a performance fee is payable establishes a high-water mark for such Class of Units which must be exceeded in subsequent days for the performance fee applicable to such Class of Units to be payable.

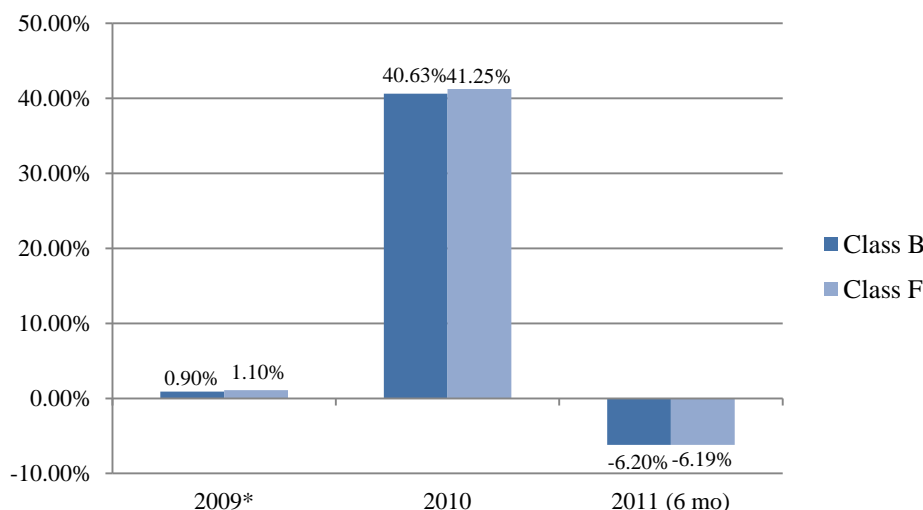
Performance fees will be calculated and accrued (and become payable) daily, such that, to the extent possible, the unit price each day will reflect any performance fees payable at the end of such day. The Net Asset Value per Unit for each Class on the last business day of any quarter for which a performance fee is paid by a Fund to Vertex One establishes a quarterly high water mark. If the Net Asset Value per Unit for each Class on the last business day of a subsequent quarter is below the previous quarterly high water mark, accrued performance fees will not be paid to Vertex One and payment will be deferred until a new quarterly high water mark is achieved.

## **PAST PERFORMANCE**

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

### **Year-by-Year Returns**

The following chart shows the performance of the Fund since its inception date of September 21, 2009 to June 30, 2010. The charts show you the Fund's annual historical return and how it changes each year. Annual return is the percentage change in the value of an investment from January 1 to December 31, unless otherwise noted. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year. The returns are cumulative and include all distributions.



\*2009 returns are since inception date Sept 21, 2009

### Summary of Investment Portfolio

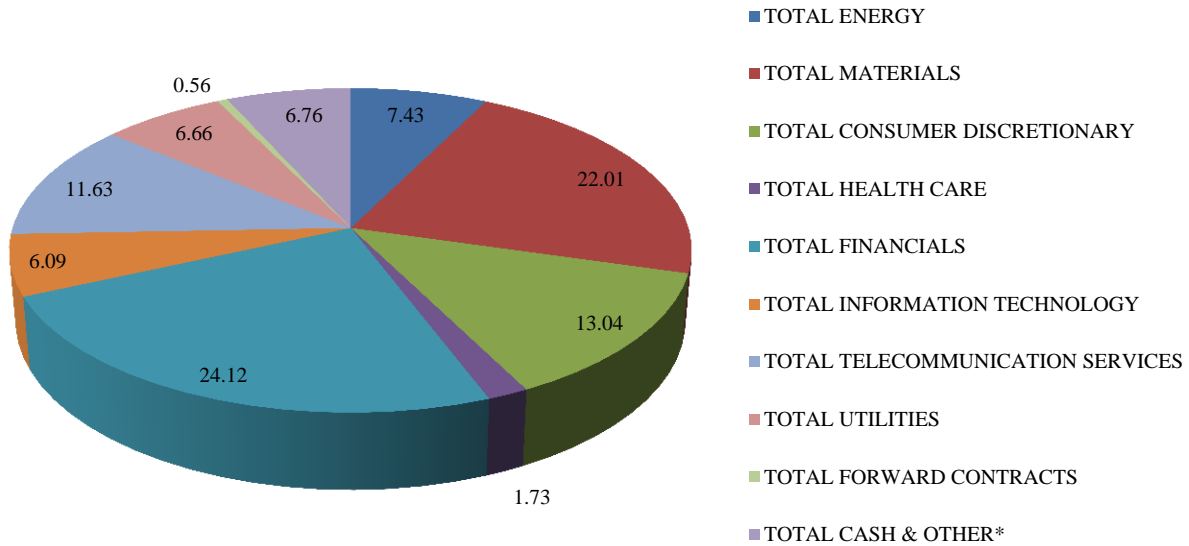
The major portfolio categories and top holdings (up to 25) of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at September 30, 2011.

Top 25 Holdings	
Issuers	% of Net Asset Value
TMX Group Inc.	9.66%
Greenlight Capital Re Ltd., Class A	6.74%
Extendicare Real Estate Investment Trust	6.71%
Capital Power Income LP	6.66%
Apple Inc.	6.09%
Seaspan Corp.	5.99%
Global Crossing Ltd.	5.48%
Canexus Income Fund	4.94%
Parex Resources Inc.	4.42%
Alexco Resource Corp.	4.17%
Whistler Blackcomb Holdings Inc.	2.88%
Oncolytics Biotech Inc.	1.71%
Amerix Precious Metals Corp.	1.60%
Revett Minerals Inc.	1.52%
Chemtrade Logistics Income Fund	1.42%
Confifex Timber Inc.	1.07%
Sonde Resources Corp.	0.76%
Petro Viking Energy Inc.	0.74%
Castle Resources Inc.	0.70%
Australian-American Mining Corporation Ltd.	0.54%
Sunridge Gold Corp.	0.51%
Amerix Precious Metals Corp.	0.46%
Visible Gold Mines Inc.	0.40%
Federal National Mortgage Association	0.35%
Oceanic Iron Ore Corp., Warrants (09Jun12)	0.31%

Net Asset Value = \$ 40,539,170

The following chart sets out the sector allocations of the Fund’s portfolio as at June 30, 2011.

### Sector Allocation %



\* Cash and other, for the purpose of this chart includes other assets less liabilities.