

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2011

**VERTEX VALUE 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 investment 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 -3.07% for Class B shares and -3.06% for Class F shares.

The first two quarters of 2011 was a frustrating period. We had strong performance in the first quarter and poor performance in the second quarter which erased our year to date gains. Pretty much everything in our portfolio is going in the correct direction during the first quarter but nothing was more simpatico with upward mobility than forestry. The returns from forestry stocks have been breathtaking since bottoming in early 2009. Our holdings in International Forest Products, Fibrek, West Fraser, Canfor, Norbord, and PRT have doubled or tripled in the last two years. Also of special mention, Valeant Pharmaceuticals which we purchased for around \$15 at the inception of the fund was trading at \$50 a share by the end of March.

Current events were prominent in the first half of 2011. The two most obvious in the first quarter were the Middle East and Japan. The first did nothing but hurt our portfolio as oil, gold and the Canadian (commodity) dollar went up, while just about everything else went down. The latter event (Japan) gave us more mixed results. On one hand our insurance stocks got battered by the belief that claims would be staggering and only recovered after analysts realized two things: global re-insurers will be on the hook for a relatively small portion of the damage and this large scale event will likely end the softening of insurance pricing and possibly even a hardening of pricing. On the other hand, forestry stocks took off on the understanding that Japan would need to rebuild and will require quite a lot of lumber to do so. Not to mention the plywood mills that are shut down and the lumber sitting around on docks that washed away.

It would be easy for one to come to the conclusion that the profits have already been made in the tree sector, but this is not the case. Forestry stocks have come from down and out, to surviving, to being ho-hum in the mind of investors. Think about how often we hear of the forestry sector (or don't) and furthermore how often we hear about it in a positive light. Compare and contrast this to how often we hear of gold, oil and copper and it is obvious that the forestry sector has a long way to go. Please call us when you see a front page headline titled "Global Shortage of Wood". Until then, we'll stay in the sector. The following are just a few of points behind the investing rationale: Pine beetle devastation, US housing recovery, Chinese demand, green fuel, earthquake-safe building material, and new technology to build up to ten stories using wood.

The Fund remains invested as it has been for the last two years in Property and Casualty insurance companies, Pharmaceuticals, US Banks, and Canadian forest products. In addition to these sector holdings, Mattel still represents about 5% of total. I have been questioned about Mattel many times over the years, as to its inclusion in the portfolio. It has had many ups and downs since we've owned the stock. However, a stock like Mattel is a perfect example of how short even 10 years is with regard to an investment program. Mattel was originally purchased in 2000 (in the Vertex Managed Value Portfolio) at a price under \$9 per share after Bob Eckerd from Kraft took on the role as CEO. Mattel trades today at \$27.00 after paying us \$5.18 in dividends over this period. Just simple math shows this investment has grown 3.5 times or generated a return of roughly 12.3% annualized without ever reaching more than 15X earnings. This should be

For the six months ended June 30, 2011

highlighted, as it's purely the company's earnings that generated returns and not investor excitement pushing up its price-to-value. If we could find twenty Mattels life would be good indeed!

We do not foresee any changes to the management of the Fund in the near future, nor do we see a shift in strategic positioning.

### **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 \$138,238 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>\$12.10</b>	<b>\$12.07</b>	<b>\$ 10.42</b>	<b>\$ 10.41</b>	<b>\$ 10.00(4)</b>	<b>\$ 10.00(4)</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.12	0.13	0.21	0.21	0.04	0.03
Total expenses	(0.09)	(0.08)	(0.31)	(0.31)	(0.16)	(0.16)
Realized gains (losses) for the period	0.16	0.14	0.07	0.06	0.02	0.01
Unrealized gains (losses) for the period	(1.08)	(0.80)	1.48	1.46	0.80	0.23
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(0.89)</b>	<b>(0.61)</b>	<b>1.45</b>	<b>1.42</b>	<b>0.70</b>	<b>0.11</b>
<b>Distributions :</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	0.01	0.01
From capital gains	-	-	-	-	0.01	0.01
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(1)(2)</sup></b>	<b>-</b>	<b>-</b>			<b>0.02</b>	<b>0.02</b>
<b>Net Assets, end of period</b>	<b>\$ 11.69</b>	<b>\$11.66</b>	<b>\$12.10</b>	<b>\$12.07</b>	<b>\$10.42</b>	<b>\$10.41</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>	11,815	7,707	4,760	5,576	1,994	2,228
Number of units outstanding <sup>(1)</sup>	1,007,578	658,865	393,222	461,786	191,029	213,567
Management expense ratio (%) <sup>(2)</sup>	1.10	1.07	2.56	2.59	5.45	5.65
Management expense ratio before waivers or absorptions (%)	2.23	3.32	4.69	5.79	14.01	10.32
Portfolio turnover rate (%) <sup>(3)</sup>	9.20	9.20	14.07	14.07	0.13	0.13
Trading expense ratio (%) <sup>(4)</sup>	0.31	0.31	0.22	0.22	1.46	1.46
Net asset value per unit (\$)	11.73	11.70	12.11	12.07	10.45	10.44

- (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.

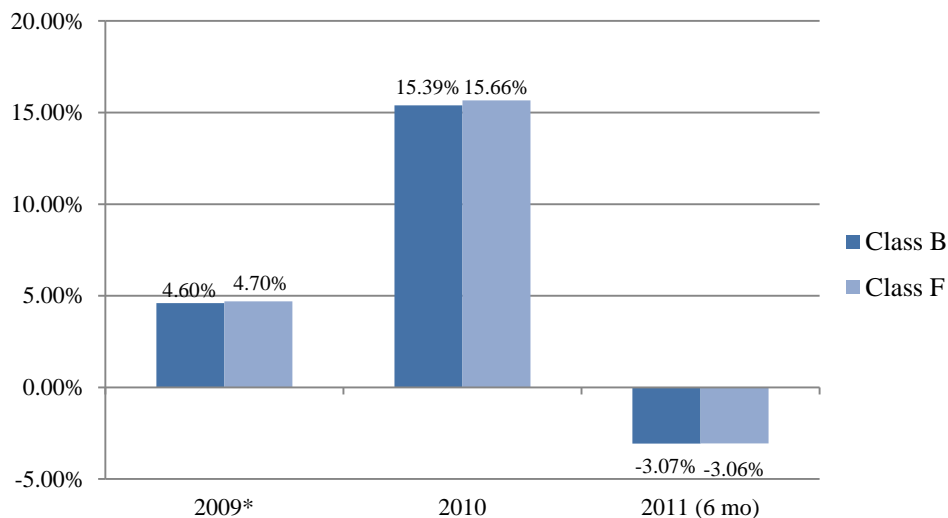
Performance fees will be calculated and accrued (and become payable) daily, such that, to the extent possible, the unit price each day will reflect any performance fees payable at the end of such day. The Net Asset Value per Unit for each Class on the last business day of any quarter for which a performance 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

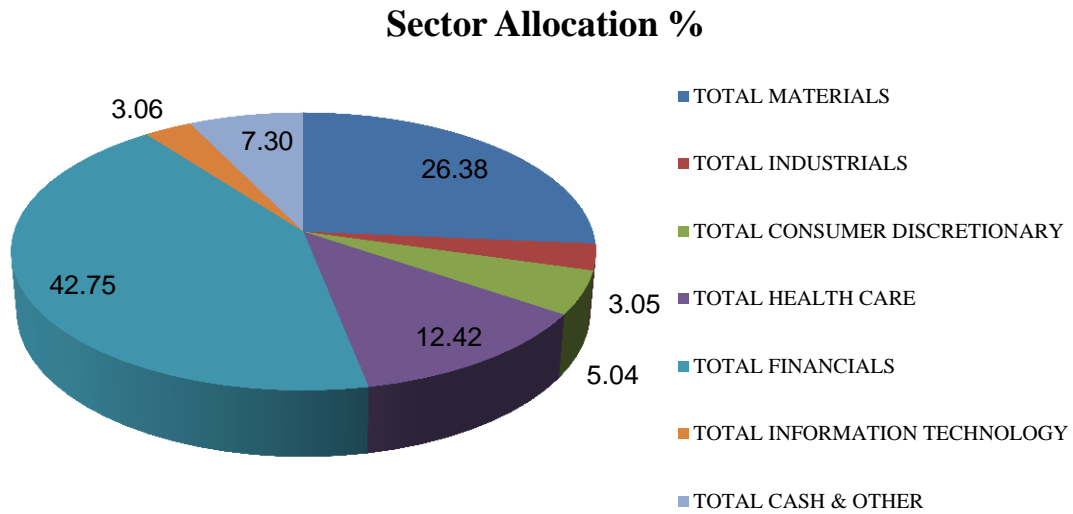
**Summary of Investment Portfolio**

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.

<b>Top 25 Holdings</b>	
<b>Issuers</b>	<b>% of Net Asset Value</b>
International Forest Products Ltd., Class A	7.08%
Conifex Timber Inc.	4.51%
Canfor Corp.	4.48%
Citigroup Inc	4.37%
Platinum Underwriters Holdings Ltd.	4.11%
Zions Bancorporation	3.25%
Pfizer Inc.	3.19%
Banco Santander SA, ADR	3.06%
Genworth Financial Inc., Class A	2.77%
Valeant Pharmaceuticals International Inc.	2.73%
Merck & Co., Inc.	2.64%
PartnerRe Ltd.	2.43%
XL Group PLC	2.35%
Montpelier Re Holdings Ltd.	2.29%
Bank of America Corp.	2.14%
KeyCorp.	2.07%
Synovus Financial Corp.	1.99%
QLT Inc.	1.99%
SunTrust Banks Inc.	1.57%
Fibrex Inc.	1.34%
Old Republic International Corp.	1.04%
Regions Financial Corp.	0.97%
Louisiana-Pacific Corp.	0.87%
Validus Holdings Ltd.	0.72%
Acadian Timber Corp.	0.65%

Net Asset Value = \$ 19,459,985

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



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