

## CONFIDENTIAL OFFERING MEMORANDUM



### VERTEX MANAGED VALUE PORTFOLIO

August 31, 2011

Continuous Offering

This Offering Memorandum constitutes a private offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. This Offering Memorandum is not, and under no circumstances is it to be construed as a prospectus, advertisement or public offering of the securities referred to herein. **No securities commission or similar regulatory authority has passed on the merits of the securities offered nor has it reviewed this Offering Memorandum and any representation to the contrary is an offence. Persons who will be acquiring securities pursuant to this Offering Memorandum will not have the benefit of the review of the material by the securities commissions or similar authorities in Canada.** The securities offered hereunder will be issued under exemptions from the prospectus requirements of the applicable securities laws of each of the Provinces and Territories (other than the Yukon) of Canada, and the rules, regulations and policies thereunder and will be subject to certain resale restrictions.

**These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state of the United States. These securities may not be offered or sold in the United States except pursuant to exemptions from registration under the U.S. Securities Act and all applicable states securities laws. The term "United States" is as defined in Rule 902 of Regulation S under the U.S. Securities Act.**

## CONFIDENTIAL OFFERING MEMORANDUM

Dated: August 31, 2011

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The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum.

### THE ISSUER:

**Name:** Vertex Managed Value Portfolio  
**Head Office:** 1920 - 1177 West Hastings Street  
Vancouver, British Columbia, V6E 2K3  
**Phone Number:** 604-681-5787  
**E-mail Address:** invest@vertexone.com  
**Fax Number:** 604-681-5146  
**Currently Listed or Quoted:** **These securities do not trade on any exchange or market.**  
**Reporting Issuer:** No  
**SEDAR Filer:** No

### THE OFFERING:

**Securities Offered:** An unlimited number of multiple classes (each, a "Class") of trust units (each, a "Unit" and together, the "Units") are being offered hereby on a continuous basis. See "Securities Offered - Terms of Securities". Each Unit within a particular Class will be of equal value, however, the value of a Unit in one Class may differ from the value of a Unit in another Class. Each Class shall have the attributes and characteristics as set out under the heading "Securities Offered - Terms of Securities - Summary of Trust Indenture".

**Price Per Security:** The subscription price per Unit will be based upon the applicable Net Asset Value of the Units as at the last business day of the month in which the subscription is received and may vary from Class to Class. The Fund will be valued on the last business day of each month. A business day means a day of the year on which banks are not required or authorized to close in Vancouver, British Columbia. The Net Asset Value of each Class of Units that comprise the Fund is determined in accordance with the Fund's Trust Indenture and is calculated by subtracting the aggregate amount of the total liabilities of the Fund attributable to each Class, including accruing fees or liabilities as are to be taken into account as determined from time to time by the Investment Manager (including any Performance Fee accruing in favour of the Investment Manager), from the total assets of the Fund attributable to each Class. The Net Asset Value of each Class of Units that comprise the Fund is divided by the number of Units of each Class outstanding (before Unit redemptions and subscriptions) at the close of business on a Valuation Date to determine the Net Asset Value per Unit for each Class. See "Securities Offered - Terms of Securities - Summary of Trust Indenture".

**Minimum/Maximum Offering:** \$0/No maximum.  
**Minimum Subscription Amount:** The minimum aggregate subscription price for the Units is \$25,000, or such lesser amount as the Investment Manager, in its sole discretion, may accept.  
**Payment Terms:** The subscription price is payable upon subscription, by cheque or by bank draft. No financing of the subscription price will be provided by the Investment Manager.  
**Proposed Closing Date(s):** Closings of the offering will take place monthly on the last business day of the month.  
**Income Tax Consequences:** There are important tax consequences to these securities. See "Certain Canadian Federal Income Tax Considerations and RRSP Eligibility".  
**Selling Agent:** None.

### RESALE RESTRICTIONS

You will be restricted from selling your securities for an indefinite period. As there is no market for these securities, it may be difficult or even impossible for an investor to sell them. The Units are subject to resale restrictions. See "Resale Restrictions". However, an investor may generally elect to redeem any or all of his Units on the last business day of any month. See "Securities Offered - Terms of Securities - Summary of Trust Indenture - Redemption Price and Payment".

### INVESTORS' RIGHTS

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See "Investors' Rights".

**No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Risk Factors".**

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## **USE OF NET PROCEEDS**

### **Net Proceeds and Use of Net Proceeds**

The Fund sells Units on a continuous basis, with closings of this Offering occurring on the last business day of each month. As costs of the Offering are an ongoing expense of the Fund, the Fund will use the net proceeds from the sale of Units to invest in securities and financial instruments pursuant to the Fund's investment objectives and strategies, policies and restrictions (see "Business of the Fund").

## **BUSINESS OF THE FUND**

### **Structure**

The Vertex Managed Value Portfolio (the "Fund") is an unincorporated open end investment trust which was formed under the name Vertex Balanced Fund on March 31, 1998 under the laws of British Columbia pursuant to a Trust Indenture dated March 31, 1998 and amended October 1, 2003 and June 1, 2007 (the "Trust Indenture"), as it may be further amended from time to time. The name of the Fund was changed to the Vertex Managed Value Portfolio effective June 1, 2007. The Fund was formed for the purposes of investing in securities in Canada, the United States and in other foreign jurisdictions. RBC Dexia Investor Services Trust is the trustee of the Fund (the "Trustee"). The Fund will seek to achieve superior returns by profiting from investment opportunities identified by Vertex One Asset Management Inc. (the "Investment Manager"), the administrative and investment manager of the Fund. The Fund qualifies as a mutual fund trust for purposes of the Income Tax Act (Canada).

The beneficial interest in the Fund is divided into Units of multiple Classes. There is no limit to the number of Units or the number of Classes of Units that may be issued subject to any determination to the contrary made by the Investment Manager. Each Unit within a particular Class will be of equal value, however, the value of a Unit in one Class may differ from the value of a Unit in another Class. There are three Classes of Units (Class A, Class B and Class F) being offered for sale by the Fund pursuant to this Offering Memorandum. The attributes and characteristics of each Class of Unit are described under the heading "Securities Offered - Terms of Securities - Summary of Trust Indenture". In addition to the Units described in this Offering Memorandum, the Fund may create additional Classes of Units with such attributes and characteristics as the Investment Manager may determine, and which may be offered for sale to such persons as the Investment Manager may determine.

The Trust Indenture sets out the rights, duties and obligations of the Investment Manager relating to the investment management and administration of the Fund. Under the terms of the Trust Indenture the Investment Manager has agreed to provide various services, including the determination of the investment policy for the Fund from time to time, the provision of investment analysis, advice and recommendations and the implementation of investment decisions. The day-to-day management, supervision, administration and control of the Fund is also the responsibility of the Investment Manager.

The head office and principal business address of the Fund and the Investment Manager is 1920 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3. The fiscal year end of the Fund will be December 31st in each year and the auditors of the Fund are PricewaterhouseCoopers LLP. The assets of the Fund will be held under the custodianship of trust companies, banks, brokers, investment dealers or securities dealers. The assets of the Fund will not be held under the custodianship of the Investment Manager. The Trustee will act as recordkeeper of the Units.

### **Management of the Fund**

#### ***The Investment Manager***

The Investment Manager was incorporated under the laws of Canada on October 24, 1997. The head office and principal business address of the Investment Manager is 1920 - 1177 West Hastings Street, Vancouver, British Columbia, V6E 2K3. The registered office of the Investment Manager is located at 2610 Oceanic Plaza, 1066 West

Hastings Street, Vancouver, British Columbia, V6E 3X1. The Investment Manager is principally owned by Mr. Matthew Wood, Mr. John Thiessen and Mr. Jeffrey McCord, each of whom is a director of the Investment Manager. The Investment Manager was the initial unitholder and is also the promoter of the Fund. The Investment Manager is currently registered as a portfolio manager, exempt market dealer and investment fund manager with the securities commissions in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick and Prince Edward Island.

### *Management Fee*

In consideration of the services provided by the Investment Manager, the Fund pays the Investment Manager a monthly management fee, payable in arrears, calculated as a percentage of the Net Asset Value of each Class of Units that comprise the Fund on the last business day of the preceding month. 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 the Fund. The management fee for each of the existing Classes of Units is as follows:

- |                 |  |
|-----------------|--|
| <u>Class A:</u> | 1/12 of 1% (1% per annum) of the Net Asset Value of the Class A Units of the Fund on the last business day of the preceding month.     |
| <u>Class B:</u> | 1/12 of 1.9% (1.9% per annum) of the Net Asset Value of the Class B Units of the Fund on the last business day of the preceding month. |
| <u>Class F:</u> | 1/12 of 1% (1% per annum) of the Net Asset Value of the Class F Units of the Fund on the last business day of the preceding month.     |

### *Performance Fee*

The Investment Manager is entitled to a Performance Fee equal to 20% of the amount by which the performance of the Fund exceeds a threshold annualized increase of 5% (the "Hurdle Rate") for each Class of Units. The Hurdle Rate of 5% is reset on January of each new calendar year for each Class of Units. The Performance Fee is accrued monthly and is payable for each calendar year. The Performance Fee is payable by the Fund within 10 business days from the year-end. Upon redemption of Units of a particular Class, the accrued portion of the Performance Fee allocated to the redeemed Units for that Class will be payable by the Fund within 10 business days of the month in which the Units were redeemed.

The Investment Manager has reserved the right to change the period for which any Performance Fee may be paid by the Fund to the Investment Manager. No change in the Investment Manager's Performance Fee payment policy will be made without at least 60 days notice to the Unitholders.

## **Our Business**

### *Overview*

The Fund was formed for the purposes of investing in securities in Canada, the United States and in other foreign jurisdictions, and seeks to achieve the following investment objectives:

- (a) trading or investing in securities and financial instruments pursuant to the Fund's investment objectives and strategies, subject to the Fund's investment policies and restrictions (as those investment objectives, strategies, policies and restrictions are defined or described below);
- (b) temporarily holding cash for the purposes of paying the expenses of the Fund issuing Units for allocation in connection with the reinvestment of distributions; and
- (c) doing all acts and things necessary or advisable to effect the Fund's business as described in the Trust Indenture.

### ***Development of Business***

The Fund has expanded its business through the sale of Units. There were 4,225,060 Class A Units, 989,143 Class B Units and 2,358,052 Class F Units outstanding as of December 31, 2004; 4,631,290 Class A Units, 2,216,103 Class B Units and 2,967,885 Class F Units outstanding as of December 31, 2005; 6,170,283 Class A Units, 2,412,124 Class B Units and 3,301,173 Class F Units outstanding as of December 31, 2006; 6,483,008 Class A Units, 2,910,764 Class B Units and 3,448,067 Class F Units outstanding as of December 31, 2007; 5,477,829 Class A Units, 2,910,752 Class B Units and 2,912,294 Class F Units outstanding as of December 31, 2008; 4,988,847 Class A Units, 2,732,776 Class B Units and 3,035,501 Class F Units outstanding as of December 31, 2009; and 5,056,305 Class A Units, 2,663,044 Class B Units and 2,988,542 Class F Units outstanding as of December 31, 2010. As of July 31, 2011, there were 5,310,309.374 Class A Units, 2,519,991.315 Class B Units and 3,056,664.035 Class F Units outstanding.

### ***Objectives and Strategies***

The principal objective of the Fund is to achieve superior returns by profiting from investment opportunities identified by the Investment Manager. In order to achieve this objective, the Investment Manager employs a variety of investment strategies to take advantage of profitable opportunities in the capital markets.

The Fund will employ a variety of investment strategies to achieve its investment objectives. More specifically, the assets of the Fund will be invested, under the discretion of the Investment Manager, in a diversified portfolio of equity and fixed income securities to provide Unitholders with an opportunity for capital appreciation and high current income. The Investment Manager will vary its asset allocation to adapt to prevailing economic conditions. The Fund's long term asset allocation policy is targeted towards a balanced portfolio of equities and fixed income securities.

### ***Investment Policies and Restrictions***

The Investment Manager will adhere to the following investment policies and restrictions in implementing the investment objectives and strategies of the Fund:

1. Options will only be used on a non-leveraged basis.
2. Short Sales will only be used against long convertible positions of the same security (risk arbitrage).
3. Purchases of private securities will be limited to 15% of the Net Asset Value of the Fund.
4. Real estate or real estate interests will not be purchased except through equities, investment trusts or similar entities.
5. The Fund will not invest in greater than 30% (or such amount as is permitted from time to time under applicable pension and taxation legislation) of its total assets in securities of American and other foreign issuers.
6. No single equity security will represent more than 10% of the book value (calculated according to generally accepted accounting principles) of the Fund.
7. The Fund will hold a minimum of 10 equity securities.

### ***Material Agreements***

The Trust Indenture is the only material contract which has been entered into by the Fund, other than contracts entered into in the ordinary course of business (see "Securities Offered - Terms of Securities - Summary of Trust Indenture"). A copy of the Trust Indenture may be inspected during normal business hours at the office of the Investment Manager, 1920 - 1177 West Hastings Street, Vancouver, British Columbia.

### **Administration Fees and Expenses**

The Fund is responsible for the payment of all fees and expenses relating to its operation, including the fees and expenses of the recordkeeper, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Investment Manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of Units, providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Investment Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the Fund).

The Investment Manager uses certain brokerage fees otherwise payable as soft dollars to purchase research to support its investment decision-making process. The Investment Manager does not use soft dollars for any purpose other than for research services which are determined to be in the best interests of the Unitholders of the Fund. Soft dollars represent a very modest amount of the Investment Manager's overall trading commissions, and the annual soft dollar budget is reviewed and approved by the Investment Manager's compliance officer. The Investment Manager monitors trade executions to ensure that all commissions, including soft dollar arrangements, are at competitive levels to satisfy its requirement to seek the best execution for all trades.

### **Sales and Redemption Charges For Class B Units**

**Investors in Class B Units can elect to purchase Class B Units pursuant to either the Sales Charge Option or the Redemption Charge Option.**

**Class A Units and Class F Units are not subject to any sales or redemption charges.**

#### ***Purchases Under the Sales Charge Option***

Under the sales charge option (the "Sales Charge Option"), a sales charge is deducted from the amount of the subscription and paid to the investor's registered dealer. The remaining amount is divided by the Net Asset Value per Unit for the Class of Units subscribed for, as described under "Securities Offered - Subscription Procedure", to determine the number of Units purchased. Sales charges are negotiable between investors and their registered dealers. The maximum sales charge for the Fund is 5% of the total amount invested. No sales charge applies to additional Units issued through the automatic reinvestment of distributions.

#### ***Purchases Under the Redemption Charge Option***

Under the redemption charge option (the "Redemption Charge Option"), the entire amount of an investor's subscription is applied to the purchase of Units at a price per Unit equal to their Net Asset Value per Unit for the Class of Units subscribed for, as described under "Securities Offered - Subscription Procedure", without deduction of a sales charge. The Investment Manager or a third party provider will pay a selling commission of 5% to the investor's registered dealer in respect of Units purchased on this basis. No selling commission is paid for additional Units issued through the automatic reinvestment of distributions.

The following redemption charge will apply if the investor redeems Units (including Units issued through the automatic reinvestment of distributions paid on Units), or re-designates Units for Units of a different Class without the Redemption Charge Option, within the following time periods after purchase:

<u>Year(s) Since Purchased</u>	<u>Redemption Charge as a Percentage of the Cost of Units Redeemed/Redesignated</u>
Year 1.....	5.5%
Year 2.....	5.0%
Year 3.....	4.5%
Year 4.....	4.0%
Year 5.....	3.0%
Year 6.....	2.0%
Year 7.....	1.0%
Thereafter.....	Nil

The Redemption Charge Option may be modified or cancelled by the Investment Manager at any time.

For purposes of calculating the redemption charge, the cost of a redeemed or re-designated Unit is the Net Asset Value per Unit at which the Unit was originally acquired, subject to adjustment downwards when additional Units are issued through the automatic reinvestment of distributions.

The Investment Manager may, in its discretion, from time to time permit a Unitholder to exchange Units subject to the Redemption Charge Option for units in another fund managed by the Investment Manager while carrying over the Unitholder's redemption charge, subject to any stated investment limits.

## **DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**

### **Compensation**

Each of John Thiessen, Matthew Wood and Jeffrey McCord is a managing director and a director of the Investment Manager. They do not receive any compensation from the Fund. The Fund pays the Investment Manager a management fee and a performance fee. See "Business of the Fund – Management of the Fund – The Investment Manager".

### **Management Experience**

The senior management of the Investment Manager have a broad background of investment and capital market experience which will be brought to bear on the activities undertaken by the Investment Manager on behalf of the Fund. The following table discloses the principal occupations of the directors, senior officers and portfolio managers of the Investment Manager for the past five years.

**Name and Municipality  
of Principal Residence**

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**Principal Occupations and Related Experience**

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Matthew Wood  
Vancouver, BC

Director of Vertex One Asset Management Inc. since November, 1997.

Mr. Matthew Wood is a founder and a director of the Investment Manager and has overall responsibility for the investment and trading decisions affecting the Fund's investment portfolio. He has been the lead manager since the Fund's inception on April 3, 1998. Mr. Wood has over 18 years of experience in dealing with equities, fixed income and derivatives. He began his career as an analyst, and subsequently became a financial advisor with Royal Trust. He was a portfolio manager with HSBC Asset Management before forming the Investment Manager. Mr. Wood holds the professional designation of Chartered Financial Analyst (CFA) and is a member of the Institute of Chartered Financial Analysts.

John Thiessen  
Vancouver, BC

Director of Vertex One Asset Management Inc. since November, 1997.

Mr. John Thiessen is a founder and a director of the Investment Manager. Mr. Thiessen has significant experience in the investment field with more than 19 years of equity, fixed income and arbitrage experience. He began his career with the Alberta Treasury Investment Management Division, moving on to a position as an investment officer with National Trust. He was a portfolio manager with HSBC Asset Management before forming the Investment Manager. Mr. Thiessen holds the professional designation of Chartered Financial Analyst (CFA) and is a member of the Institute of Chartered Financial Analysts.

Jeffrey McCord  
North Vancouver, BC

Director of Vertex One Asset Management Inc. since January, 1998.

Mr. Jeff McCord is a founder and a director of the Investment Manager. He is a member of the investment committee and is responsible for business development and the operation of the Investment Manager. He began his investment career as a financial advisor with Canada Trust and subsequently became responsible for managing high net-worth clients at HSBC Asset Management. Mr. McCord has over 19 years of investment and business experience. He is a graduate of the University of Manitoba and holds his CSC designation from the Canadian Securities Institute.

Tim Logie  
Vancouver, BC

Portfolio Manager of Vertex One Asset Management Inc. since 2001.

Mr. Tim Logie joined the Investment Manager in 2001. He started his career in the Property and Casualty actuarial field before completing an MBA and moving into derivative trading at TD Securities in Toronto. While at TD Securities, Mr. Logie worked with Bond Options and Interest Rate Derivatives before becoming TD Securities' Energy Derivative trader. Mr. Logie is responsible for the Investment Manager's trading as well as portfolio management and investment analysis. Mr. Logie holds the professional designation of Chartered Financial Analyst (CFA) and is a member of the Institute of Chartered Financial Analysts.

## Penalties, Sanctions, and Bankruptcy

There are no penalties, sanctions, declarations of bankruptcy, voluntary assignments in bankruptcy, proposals under any bankruptcy or insolvency legislation or proceedings, arrangements or compromises with creditors, appointments of a receiver, receiver manager or trustee to hold assets, that have been in effect during the last ten years against or in connection with any of the directors, executive officers or control persons of the Fund or the Investment Manager or any issuer of which any director, executive officer or control person of the Fund or the Investment Manager was a director, senior officer or control person.

## CAPITAL STRUCTURE

### Share Capital

#### *Outstanding Securities*

Description of security	Number authorized to be issued	Number outstanding as at July 31, 2011 <sup>(2)</sup>
Units <sup>(1)</sup> :		
Class A	Unlimited	5,310,309.374
Class B	Unlimited	2,519,991.315
Class F	Unlimited	3,056,664.035

(1) The attributes and characteristics of each Class of Units is set forth under the heading “Securities Offered - Terms of Securities - Summary of Trust Indenture”.

(2) As at July 31, 2011, the issued and outstanding Units had the following Net Asset Values: Class A, \$14.1237 per Unit; Class B, \$5.3349 per Unit; Class F, \$14.1257 per Unit.

### Prior Sales

Within the 12 months from August 1, 2010 to July 31, 2011, the Fund has issued an aggregate of 481,411.691 Class A Units, 282,050.480 Class B Units and 319,437.068 Class F Units for aggregate gross proceeds in the amount of \$13,969,425.

Within the 12 months from August 1, 2010 to July 31, 2011, an aggregate of 343,027.411 Class A Units, 502,494.924 Class B Units and 280,366.242 Class F Units have been redeemed for an aggregate gross redemption amount of \$12,264,464.88

## SECURITIES OFFERED

### Terms of Securities

An unlimited number of multiple classes (each, a “Class”) of trust units (each, a “Unit” and together, the “Units”) are being offered hereby on a continuous basis to investors in each of the Provinces and Territories (other than the Yukon) of Canada, pursuant to exemptions from the prospectus requirements contained in the securities legislation of those Provinces and Territories, and in the United States pursuant to exemptions from the registration requirements of the U.S. Securities Act. See “Subscription Procedure”. Each Unit within a particular Class will be of equal value, however, the value of a Unit in one Class may differ from the value of a Unit in another Class. The subscription price per Unit will be based upon the applicable Net Asset Value of the Units as at the last business day of the month in which the subscription is received and may vary from Class to Class. **Units may be redeemed at**

**the end of any month. Redemption amounts will be paid out within five business days of the redemption date.** See “Summary of Trust Indenture”.

The Net Asset Value of each Class of Units that comprise the Fund is determined in accordance with the Fund’s Trust Indenture and is calculated by subtracting the aggregate amount of the total liabilities of the Fund attributable to each Class, including accruing fees or liabilities as are to be taken into account as determined from time to time by the Investment Manager (including any Performance Fee accruing in favour of the Investment Manager) from the total assets of the Fund attributable to each Class. The Net Asset Value of each Class of Units that comprise the Fund is divided by the number of Units of each Class outstanding (before Unit redemptions and subscriptions) at the close of business on a Valuation Date to determine the Net Asset Value per Unit for each Class.

### *Summary of Trust Indenture*

The rights and obligations of the Investment Manager are governed by the Trust Indenture. The following is a summary only of certain provisions of the Trust Indenture and does not purport to be complete. A copy of the Trust Indenture may be inspected during normal business hours at the office of the Investment Manager.

### *Head Office*

The head office and the principal office of the administration of the Fund will be in Vancouver, British Columbia at the address of the Investment Manager or at such other location as designated by the Investment Manager.

### *Division of Fund into Classes and Units*

The beneficial interest in the Fund will be divided into interests of multiple Classes each referred to as Units. Each Unit within a particular Class will be of equal value, however, the value of a Unit in one Class may differ from the value of a Unit in another Class. Each Class and its Units and fractions thereof will be issued only as fully paid and non-assessable. There will be no limit to the number of Units or the number of Classes of Units that may be issued, subject to any determination to the contrary made by the Investment Manager. No Class or Unit or fraction thereof shall have any rights, preferences or priorities over any other Unit, except in respect of voting rights (See “Voting”).

### *Voting*

Each Unitholder will be entitled to one vote for each whole Unit held by him. No holder of a fraction of a Unit, as such, shall be entitled to notice of, or to attend or to vote at, meetings of Unitholders. A holder of a Unit of one Class shall not be permitted to notice of, or to attend or vote at, meetings of Unitholders of another Class.

### *Net Asset Value Per Unit*

The Net Asset Value of each Class of Units that comprise the Fund will be the then fair market value of the assets of the Fund attributable to each Class of Units at the time the calculation is made less the aggregate amount of the liabilities of the Fund attributable to that Class, including accruing fees or liabilities as are to be taken into account as determined from time to time by the Investment Manager (including any Performance Fee accruing in favour of the Investment Manager, at that time). The Net Asset Value per Unit will be the quotient obtained by dividing the amount equal to the Net Asset Value of each Class of Units that comprise the Fund by the total number of Units of each Class outstanding, including fractions of Units.

### *Price of Units*

The subscription price per Unit of Units purchased pursuant to a subscription will be the Net Asset Value per Unit determined on the Valuation Date on which the subscription is accepted and may vary from Class to Class.

### *Issuance of Certificates*

No certificates evidencing ownership of Units will be issued to a Unitholder.

### *Right to Redeem*

A Unitholder will be entitled to require payment of the Net Asset Value of all or any of his Units by giving written notice to the Investment Manager, which notice must contain a clear request that a specified number of Units of a specified Class are to be redeemed or the dollar amount which the Unitholder is required to be paid, and the signature on the redemption notice must be guaranteed by a Canadian chartered bank, a trust company or a registered broker or securities dealer acceptable to the Investment Manager. A redemption request must reach the Investment Manager at its offices not later than the close of business on the business day prior to the Valuation Date on which the Units are intended to be redeemed.

### *Redemption Price and Payment*

The proceeds payable on redemption will be the Net Asset Value of the Units redeemed, which may vary from Class to Class, less any applicable redemption charges, determined on the Valuation Date next following receipt by the Investment Manager of a redemption request, which Net Asset Value will include allocated but undistributed income and realized capital gains. The Trustee will, within five business days after the Valuation Date, and subject to receipt of written notice in respect of redemption requests received by the Investment Manager, arrange for the payment of the value of the Units being redeemed by mailing or delivering a cheque in the relevant amount in Canadian funds to the Unitholder.

### *Suspension of Redemption Right*

The Investment Manager may suspend, or continue suspension of the right of a Unitholder to require the Fund to redeem Units for any period during which normal trading is suspended on any stock exchange on which the securities that represent more than 50% by value of the gross assets of the Fund are then listed or with the consent of the appropriate securities regulatory authorities for any period during which the Investment Manager determines that conditions are such that the disposal of the assets of the Fund is not reasonably practicable or it is not reasonably practicable to determine fairly the value of the Fund's assets.

### *Transfer Between Classes of Units*

A Unitholder of any Class will be entitled to transfer, at any time, all or, subject to any minimum investment or other requirements for a particular Class prescribed by the Investment Manager and set forth in this Offering Memorandum (or other like document), any part of the Units of one Class registered in its name to another Class or Classes of Units, by giving written notice to the Investment Manager. The notice must contain a clear request that a specified number of Units (or fractions thereof) be transferred amongst the Classes and provide detailed instructions regarding the Class or Classes of Units to be acquired, and the signature on the transfer notice must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Investment Manager. The Trustee, in its capacity as recordkeeper of the Fund may charge a fee to the Unitholder to effect a transfer of Units amongst Classes. As at the date of this Offering Memorandum, transfers between Class B and Class F Units will generally be permitted, subject to such transfers being in compliance with applicable securities laws. None of the Trustee, the Investment Manager or the Fund shall have any obligation to ensure that any transfer of Units among Classes is made in accordance with applicable securities legislation, that any necessary filings with regulatory bodies having jurisdiction are made, or that any taxes payable in respect of a transfer amongst Classes, if any, are so paid.

### *Transfer of Units*

A Unitholder of any Class will be entitled to transfer, at any time, all or, subject to any minimum investment requirements for a particular Class prescribed by the Investment Manager and set forth in this Offering Memorandum (or other like document), any part of the Units of one Class registered in its name by giving written notice to the Investment Manager. The notice must contain a clear request that a specified number of Units (or fractions thereof) be transferred, provide the full name and address of the transferee, shall be irrevocable and the signature of the transferor thereon shall be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Investment Manager and shall be accompanied by evidence satisfactory to the

Investment Manager that the proposed transferee is a resident Canadian. The Trustee, in its capacity as recordkeeper of the Fund may charge a fee to the transferor or the transferee to effect a transfer of Units. None of the Trustee, the Investment Manager or the Fund shall have any obligation to ensure that any transfer of Units is made in accordance with applicable securities legislation, that any necessary filings with regulatory bodies having jurisdiction are made, or that any taxes payable in respect of a transfer amongst Classes, if any, are so paid.

#### *Powers and Duties of the Trustee*

The Trustee, subject to the specific limitations contained in the Trust Indenture, has full, absolute, and exclusive power, control and authority over the assets of the Fund and over the business and affairs of the Fund to the same extent as if the Trustee was the sole owner thereof in its own right.

#### *Powers and Duties of the Investment Manager*

The Trust Indenture grants the Investment Manager exclusive power to manage and direct the investment of the assets of the Fund and the powers necessary to perform its duties. The Trustee has no responsibility for investment management of the securities or other property of the Fund or for any investment decisions.

#### *Trustee's Fee*

The Trustee will receive an annual fee which will be paid from the Fund. The amount of the annual fee will be settled by agreement between the Trustee and the Investment Manager.

#### *Expenses*

All expenses of the Fund will be paid from the Fund.

#### *Removal of Trustee*

The Trustee may be removed by the Investment Manager at any time by notice to the Trustee not less than 90 days prior to the date that such removal is to take effect provided a successor trustee is appointed or the Fund is terminated.

#### *Status of Unitholders*

The ownership of all property of the Fund of every description and the rights to conduct the affairs of the Fund are vested exclusively in the Trustee and the Unitholders have no interest other than their beneficial interest in the Fund.

#### *Liability of Unitholders*

No Unitholder will be held to have any personal liability as such for any obligation or claim arising out of or in connection with any contract or obligation of the Fund, the Investment Manager, or the Trustee.

#### *Unitholder Meetings*

The Trustee will, upon the written request of the Investment Manager or of Unitholders of a single Class holding not less than 50% of the outstanding Units of that Class, call a meeting of Unitholders of that Class. A holder of a Unit of one Class shall not be permitted to notice of, or to attend or vote at, meetings of Unitholders of another Class.

#### *Distribution of Income and Capital and Capital Gains to Unitholders*

On the last Valuation Date in each calendar year (the "Distribution Date") the Trustee will determine the net income and net realized capital gains of each Class of Units that comprise the Fund and such portions of the net income and net realized capital gains will be payable to the Unitholders (pro rata to the number of Units held by them respectively at the close of business of the recordkeeper of the Fund on the Distribution Date).

### *Manner of Payment*

On and after each Distribution Date, such amount, if any, of net income and net realized capital gains payable to each Unitholder will be reinvested in additional Units of the Fund of the same Class as the Units held by the Unitholder, at the Net Asset Value Per Unit for that Class calculated on the Distribution Date.

### *Investment by the Fund*

The Trustee will from time to time sell any or all of such investments and reinvest the proceeds thereof or exchange any or all of such investment for other investments, always only in accordance with the directions of the Investment Manager. It is the responsibility of the Investment Manager to ensure that all investments of the assets of the Fund are made in such a way as to comply with any statement made in this Offering Memorandum as to the investment policies, practices and objectives and investment restrictions.

### **Subscription Procedure**

Investors may purchase Units of the Fund through the Investment Manager or through qualified dealers or brokers. Qualified dealers or brokers will send orders to the Investment Manager at its principal office by courier or telecommunication facilities without charge to the investor on the day on which investor orders are placed.

The subscription price is payable upon subscription, by cheque or by bank draft. No financing of the subscription price will be provided by the Investment Manager. The minimum aggregate subscription price for Units is \$25,000, or such lesser amount as the Investment Manager, in its sole discretion, may accept.

Each prospective and qualified investor who desires to subscribe for Units must:

- (a) complete and sign the form of Subscription Agreement specifying the number and the Class or Classes of Units being subscribed for;
- (b) if the Subscriber is resident in British Columbia, New Brunswick, Newfoundland and Labrador or Nova Scotia, is not an accredited investor and is purchasing Units having an aggregate acquisition cost of less than \$150,000, complete and sign two copies of the Form 45-106F4 – Risk Acknowledgement;
- (c) if the Subscriber is resident in British Columbia, Alberta, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan, Québec, Northwest Territories or Nunavut, is purchasing Units having an aggregate acquisition cost of less than \$150,000, and is an “accredited investor” as defined in National Instrument 45-106 (“NI 45-106”), complete and sign the Accredited Investor Questionnaire;
- (d) if the Subscriber is in the United States, complete and sign the Accredited Investor Questionnaire and the U.S. Certificate; and
- (e) deliver to the Investment Manager, in trust, a cheque or bank draft for the subscription price payable for the Units subscribed for, made payable to “RBC Dexia Investor Services Trust, in trust” (all such funds will be transferred to a Fund account on Closing).

Subscriptions will be received subject to prior sale and acceptance of the investor’s subscription, in whole or in part (subject to compliance with applicable securities laws), by the Investment Manager on behalf of the Fund.

The purchase price per Unit will be an amount equal to the Net Asset Value per Unit subscribed for and may vary from Class to Class. The Net Asset Value per Unit for subscriptions which are received and accepted by the Investment Manager before the close of business on a Valuation Day will be calculated as of that Valuation Day.

The Net Asset Value per Unit for subscriptions received and accepted after the close of business will be calculated on the next Valuation Day.

The aforementioned cash amounts, Subscription Agreements and other documents will be held in trust and released upon closing. Where required pursuant to NI 45-106 the subscription amount will be held in trust until midnight on the second business day after the investor signs a Subscription Agreement. Closings will occur on a continuous basis at the end of each month in which subscriptions are received.

### ***Qualified Investors***

The Investment Manager is offering for sale an unlimited number of Units on a continuous basis in each of the Provinces of Canada and its Territories, other than the Yukon Territory, by way of private placement.

The offering is being conducted:

- (a) in the Provinces of British Columbia, New Brunswick, Newfoundland and Labrador and Nova Scotia pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3, 2.9 and 2.10 of NI 45-106; and
- (b) in the Provinces of Alberta, Manitoba, Ontario, Prince Edward Island, Quebec and Saskatchewan and in the Northwest Territories and Nunavut pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3 and 2.10 of NI 45-106.

The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors purchasing as principal and who are “accredited investors” as defined in NI 45-106.

The exemption pursuant to Section 2.9 of NI 45-106 is available for distributions only to investors in British Columbia, Nova Scotia, Newfoundland and Labrador and New Brunswick purchasing as principals, who receive this Offering Memorandum prior to signing the Subscription Agreement and who sign a risk acknowledgement in the prescribed form.

The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to investors purchasing as principals where the trade is made in a security that has an aggregate acquisition cost to the investor of not less than \$150,000, paid in cash at the time of acquisition.

The foregoing exemptions relieve the Fund from the provisions of the applicable securities laws of each of the Provinces of Canada and the Northwest Territories and Nunavut, which otherwise would require the Fund to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Units will not receive the benefits associated with a subscription for securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

The Fund may also use qualified dealers or brokers to sell Units of the Fund and may enter into non-exclusive agency agreements with such brokers or dealers in connection with such sales.

### ***Acceptance of Subscriptions***

Subscriptions received are subject to rejection or allotment in whole or in part by the Investment Manager on behalf of the Fund within 30 days of their receipt by the Investment Manager. The Investment Manager reserves the right to close the subscription books at any time without notice. Confirmation of the acceptance of a subscription will be forwarded by the Investment Manager to the investor. The Investment Manager is not obligated to accept any subscriptions, and will reject any subscription which the Investment Manager considers to be not in compliance with applicable securities laws and regulations. If any subscription is rejected, the Investment Manager will return to the investor within 30 days after making the decision to reject the subscription, the Subscription Agreement, any other documentation delivered by the investor, and the subscription funds comprising such subscription.

Subject to the contractual rights of action, and a two day right of withdrawal for certain investors provided for herein, and subject to applicable securities laws, the investor's subscription may not be withdrawn, cancelled, terminated or revoked by the investor for a period of 30 days from the date of receipt of the subscription by the Investment Manager, unless previously accepted by the Investment Manager.

Units of the Fund will be issued to an investor if a subscription agreement (a "Subscription Agreement") substantially in the form prescribed by the Investment Manager from time to time is received by the Fund and accepted by the Investment Manager and if payment of the subscription price is made by cheque or bank draft. Units will be issued at a price per Unit equal to the Net Asset Value per Unit as at the last business day of the month in which the subscription is received, subject in all cases to the minimum investment levels described above. An investor who subscribes for Units by executing and delivering a Subscription Agreement will become a Unitholder after the Investment Manager accepts such subscription and the Fund has received the subscription price.

### ***Additional Investments***

Additional investments in the Fund are generally permitted, provided that the Unitholder's initial investment was equal to a minimum of \$150,000 and the additional investment is for the same class or series as the initial investment and the Unitholder, as at the date of the subsequent trade, holds securities of the Fund that have an acquisition cost of not less than \$150,000 or a net asset value of not less than \$150,000. The minimum additional subscription is \$10,000 or such greater amount as may be otherwise required to comply with applicable securities laws or as may be prescribed by the Investment Manager.

### ***Unit Certificates***

No certificates evidencing ownership of the Units will be issued to a Unitholder. Following each purchase or redemption of Units, Unitholders will receive a written confirmation from the Trustee indicating details of the transaction including the Class, number and dollar value of the Units purchased or redeemed, the Net Asset Value per Unit and the Class, number and dollar value of Units held by the Unitholder following such purchase or redemption.

### ***Certain United States Securities Law Matters and Resale Restrictions***

#### ***General***

The Units offered hereby have not been and will not be registered under the U.S. Securities Act. The Units may not be offered or sold in the United States, except that Units may be offered and sold to accredited investors within the meaning of NI 45-106 and applicable United States securities laws, who execute and deliver to the Fund a Subscription Agreement, including a completed Accredited Investor Questionnaire and a U.S. Certificate, pursuant to the exemption from registration provided by Rule 506 of Regulation D under the U.S. Securities Act. In addition, until 40 days after the commencement of the offering of the Units, an offer or sale of the Units within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such an offer or sale is made otherwise than in accordance with an exemption under the U.S. Securities Act.

#### ***Resale Restrictions***

In addition to any transfer restrictions described in "Trading and Resale Restrictions - U.S. Investment Company Act Restrictions", Units that are offered and sold in the United States or to or for the benefit of a U.S. Person may not be resold unless sold (A) to the Fund, (B) outside the United States pursuant to Rule 904 of Regulation S under the U.S. Securities Act and in compliance with applicable local laws and regulations, (C) pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder and in accordance with any applicable state securities or "Blue Sky" laws, or (D) in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities and in the case of clauses (C) and (D) above, it has prior to such sale furnished to the Fund an opinion of counsel or other evidence of exemption reasonably satisfactory to the Fund.

### ***Subscribers Resident in Other Jurisdictions***

The Units offered pursuant to this Offering Memorandum may be offered in jurisdictions outside of Canada and the United States. The Fund reserves the right to reject subscriptions from persons resident in any jurisdiction on the basis that it is impossible or impractical to comply with the securities laws of such jurisdiction.

The foregoing is a summary only and is not intended to be exhaustive. Subscribers are advised to consult with their legal advisors concerning restrictions on resale, and are further advised against attempting to resell their Units until they have determined that any such resale is in compliance with the requirements of applicable legislation.

### **Trading and Resale Restrictions**

This offering of Units is made only on a private placement basis to investors who are eligible to purchase on an exempt basis under, and subject to compliance with, applicable securities laws. **There is no market for the Units. The transferability of the Units will also be subject to resale restrictions under applicable securities laws.** The Fund will be entitled to require and may require, as a condition of allowing any transfer of any Unit, the transferor or transferee, at their expense, to furnish to the Fund evidence satisfactory to it in form and substance (which may include an opinion of counsel satisfactory to the Fund) in order to establish that such transfer will not constitute a violation of the securities laws of any jurisdiction whose securities laws are applicable thereto.

The Fund is not a reporting issuer in any of the Provinces of Canada. On July 31, 2007 the Fund filed a preliminary simplified prospectus and preliminary annual information form in connection with its initial offering of Class B and Class F Units with the securities regulatory authorities in each of the provinces and territories of Canada, other than Quebec. As at the date of this Offering Memorandum, the Fund has not yet become reporting in any Province of Canada. The Units are currently subject to an indefinite hold period. Notwithstanding such indefinite hold period, and subject to approval by the Fund as referred to above, investors will be able to transfer between certain Classes of Units (transfers between Class B and Class F Units will generally be permitted) and to transfer Units to another person pursuant to another exemption from the prospectus and registration requirements of applicable securities laws, or pursuant to an order permitting such trade granted by applicable securities regulatory authorities.

Pursuant to the Trust Indenture, certificates representing the Units will not be issued.

### ***U.S. Investment Company Act Restrictions***

The Fund has not been, and will not be and is not required to be, registered as an investment company under the *United States Investment Company Act of 1940*, as amended (the "1940 Act"). In addition to any resale restrictions required under the applicable securities laws, the Fund will require each investor to agree, and the Fund will be entitled to rely thereon, that:

- (i) such investor shall not reoffer, sell, assign, transfer or otherwise dispose of the Units other than (A) to the Fund, (B) outside the United States to a non-U.S. Person pursuant to Regulation S under the U.S. Securities Act, or (C) with the prior written approval of the Fund, in its sole discretion, and in compliance with all applicable securities laws;
- (ii) no corporation, partnership, association, joint-stock company, trust, fund or other organized groups of persons whether incorporated or not, or a trustee, receiver or similar official or a liquidating agent in a case under title 11 of the United States Code acting in his capacity as such (an "Entity") may:
  - (A) beneficially own 10% or more of the Fund's outstanding voting securities if such Entity is, or but for the exception provided for in Section 3(c)(1) or Section 3(c)(7) under the 1940 Act, would be an investment company, as defined in the 1940 Act; or

- (B) acquire or own any securities of the Fund if the Entity was organized for the specific purpose of acquiring the Fund's securities;

and that such investor, if an Entity, does not and immediately following such investor's acquisition of the Units will not be an Entity described by either subparagraph (A) or subparagraph (B) above;

- (iii) no more than 75 U.S. Persons who have acquired securities of the Fund may beneficially own securities of the Fund. If the Fund's securities could be deemed to be beneficially owned by more than 75 U.S. Persons, the Fund may require the transfer of any securities of the Fund owned by such U.S. Persons as will be required to reduce to 75 or below the number of U.S. Persons beneficially owning securities of the Fund; and
- (iv) as a condition of allowing any transfer of the Units, the Fund will be entitled to require and may require any transferee to agree to the foregoing restrictions.

The term "U.S. Person," as used in this Offering Memorandum, is defined in Rule 902 of Regulation S under the U.S. Securities Act, which definition includes a natural person resident in the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and any partnership or corporation organized or incorporated under the laws of the United States.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS AND RRSP ELIGIBILITY**

**You should consult your own professional advisers to obtain advice on the income tax consequences that apply to you. Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on RRSP eligibility of these securities.**

The following summary describes the principal Canadian federal income tax considerations pursuant to the *Income Tax Act* (Canada) (the "Tax Act") and the regulations thereunder generally applicable to a Unitholder who acquires Units of the Fund and who, for purposes of the Tax Act, is resident in Canada, holds the Units as capital property and deals at arm's length with the Fund. Generally, Units of a Fund will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Unitholder that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules), or a "specified financial institution" or to a Unitholder an interest in which is a "tax shelter investment" (all as defined in the Income Tax Act). This summary is based upon the provisions of the Tax Act, and any regulations thereunder in force at the date hereof and the understanding of the current published administrative and assessing practices of the of the Canada Revenue Agency ("CRA") and takes into account all specific proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) (the "Tax Proposals"). There can be no assurance that the Tax Proposals will be implemented in their current form or at all. No advance income tax ruling has been requested in respect of this offering. This summary does not otherwise take into account or anticipate any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an Investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholders' particular circumstances, including the province or provinces in which the Unitholder resides or carries on business. Accordingly this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units of the Fund or any**

**Unitholder. Consequently, prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.**

## **Status of the Fund**

### ***Mutual Fund Trust***

This summary is based on the assumption that the fund will qualify as a “unit trust” as defined in the Tax Act. In order to so qualify, the undertaking of the Fund must be restricted to the investing of its funds in property (other than real property or an interest in real property), the acquiring, holding, maintaining, improving, leasing or managing of real property (or interest in real property) that is capital property of the Fund, or a combination of these activities.

It is intended, and this summary assumes, that these requirements will be satisfied and that the Fund will continue to qualify as a “unit trust” and a “mutual fund trust” at all relevant times. In the event that the Fund were not to qualify as a “mutual fund trust”, the income tax considerations would in some respects be materially different from those described below.

### ***Qualified Investment***

The Units will be considered “qualified investments” (as defined in the Tax Act) for the tax deferred plans such as Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plans and Deferred Profit Sharing Plans.

## **Taxation of the Fund**

### ***Part I Tax***

The Fund is subject to taxation in each taxation year on its income for the year, including net realized capital gains, less the portion thereof that is paid or payable in the year to Unitholders and which is deducted by the Fund in computing its income for purposes of the Tax Act. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. The Fund will distribute a sufficient part of its income and capital gains, if any, so that the Fund will not be subject to tax under Part I of the Tax Act (other than in certain circumstances with respect to the alternative minimum tax, if applicable).

## **Taxation of Unitholders**

### ***Fund Distributions***

Unitholders which are not exempt from tax under Part I of the Tax Act will generally be required to include in their income for a particular taxation year such part of the Fund’s net income for tax purposes for the year as was paid or has become payable to them in that particular taxation year, notwithstanding that any such amount is payable in additional Units of the Fund (see “Summary of Trust Indenture - Distribution of Income and Capital Gains to Unitholders and – Manner of Payment”). In certain cases, the Fund may apply net capital losses or non-capital losses from prior taxation years to reduce its net taxable income, thereby effectively permitting such amounts to be distributed as capital to Unitholders. However, any such distribution will reduce the adjusted cost base of a Unitholder’s Units. To the extent that the adjusted cost base of a Unitholder’s Units becomes negative, the negative amount will be included in the Unitholder’s income for the year as a capital gain.

Where the Fund has received taxable dividends from a taxable Canadian corporation in the year, it may designate a pro rata share of such dividends to be taxable dividends received by the Unitholder from a taxable Canadian corporation in the year. To the extent that amounts are designated as taxable dividends, the normal gross-up and dividend tax credit provisions will be applicable in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act will be payable by Unitholders who are private corporations and certain other

corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and the deduction in computing taxable income will be available to Unitholders that are corporations.

The Fund may make designations in respect of net taxable capital gains realized by it in the year, and foreign source income received in the year and foreign taxes paid in the year. Where applicable, Unitholders may apply capital losses against such capital gains and may claim the foreign tax credit in calculating tax payable.

The Fund must withhold a 25% Canadian withholding tax from distributions of income paid to Unitholders who are not resident in Canada for Canadian income tax purposes (subject to treaty reduction).

### ***Disposition of Units***

A Unitholder's gain or loss from the disposition of a Unit (including a disposition by way of redemption) will generally be treated as a capital gain or loss. One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the Unitholder's income under the Tax Act for the year of disposition as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized by a Unitholder may be deducted against any taxable capital gains realized by the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent taxation years.

Capital gains realized on dispositions of Units by Unitholders who are not resident in Canada for Canadian income tax purposes will be subject to Canadian income tax only if the Unitholder, persons who do not deal at arm's length with the Unitholder, or any combination of the Unitholder and such persons owned not less than 25% of the issued Units of the Fund at any time in the 60 months preceding the date of disposition of the Units. Further relief from Canadian income tax may be available under the relevant tax treaty.

### ***Alternative Minimum Tax***

Taxable capital gains realized by a Unitholder that is an individual may give rise to alternative minimum tax depending on the Unitholder's circumstances.

## **COMPENSATION PAID TO SELLERS AND FINDERS**

Units may be distributed by qualified dealers or brokers in the applicable jurisdictions. The Investment Manager will provide the compensation described below to such qualified dealers or brokers placing orders for the purchase of Units to assist them in their distribution efforts.

### **Service Fee**

The Service Fee is a portion of the Investment Manager's management fee that is shared with a qualified dealer or broker. A Service Fee will be paid to a qualified dealer or broker for ongoing advice and service provided by the dealers or brokers to their clients who have invested in the Fund. This Service Fee is payable by the Investment Manager for as long as such broker's or dealer's clients' investments remain in the Fund. Qualified brokers or dealers will not charge the investor a commission or fee on the redemption of Units.

Service Fees will be calculated and payable by the Investment Manager at least semi-annually to qualified dealers or brokers for salespersons of the qualified dealer or broker with client assets invested in the Fund having an aggregate Net Asset Value of not less than \$100,000. Service Fees will be based on the aggregate value of the clients' investments in the Fund an annual rate of 0.75% for Class A Units and 0.90% for Class B Units. No Service Fees are paid for Class F Units. Service Fees may be modified or discontinued by the Investment Manager at any time.

## **Performance Fee**

The Investment Manager may from time to time elect to share up to 10% of the Performance Fee collected with approved dealers in respect of Units held by clients of certain approved salespersons.

## **RISK FACTORS**

**Investment in the Units is speculative due to the nature of the Fund's business and involves certain risk factors. There is no guarantee that an investment in Units of the Fund will earn any positive return in the short or long term and investors must be able to bear the risk of a complete loss of their investment.** The following risks should be carefully evaluated by prospective investors.

***Business Risk.*** While the Investment Manager believes that the Fund's investment policies will be successful over the long term, there can be no guarantee against losses resulting from an investment in Units of the Fund and there can be no assurance that the Fund's investment approach will be successful or that its investment objectives will be attained. The Fund could realize substantial losses, rather than gains, from some or all of the investments described herein.

***Liquidity.*** An investment in the Fund provides limited liquidity. The Units are subject to indefinite resale restrictions under applicable securities laws. Unitholders may redeem their Units on the last day of each month. The Investment Manager may take up to five business days after month-end to pay out any such redemption.

***Investment Eligibility.*** If the Fund ceases to qualify as a unit trust, or the investments of the Fund fail to qualify as prescribed and/or qualified investments under the Tax Act, the Units will cease to be qualified investments for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), registered education savings plans ("RESPs") and deferred profit sharing plans ("DPSPs") under the Tax Act (collectively, the "Plans"). Where at the end of any month a Plan holds Units that are not qualified investments, the Plan must, in respect of that month, pay a tax under Part XI.1 of the Tax Act equal to 1% of the fair market value of the Units at the time such Units were acquired by the Plan. There can be no assurance that income tax laws and the treatment of unit trusts will not be changed in a manner which adversely affects Unitholders.

***Net Asset Value.*** The Net Asset Value of each Class of Units that comprise the Fund will fluctuate with changes in the market value of the investments attributable to that Class. Such changes in market value may occur as a result of various factors, including those factors identified above with respect to international investments and emerging market securities and material changes in the intrinsic value of an issuer whose securities are held by the Fund.

***Potential Lack of Diversification.*** The Fund does not have any specific limits on holdings in securities of issuers in any one country, region or industry. Unlike many mutual funds which are required by applicable securities laws to diversify portfolio holdings so that no more than a fixed percentage of their assets is invested in any one industry or group of industries, the Fund has not adopted fixed guidelines for diversification. Although the Fund's portfolio will generally be diversified, this may not be the case at all times if the Investment Manager deems it advantageous for the Fund to be less diversified. Accordingly, the investment portfolio of the Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among companies, industries, regions, types of securities and other asset classes.

***Illiquid Securities.*** A portion of the Fund's assets may from time to time be invested in securities and other financial instruments or obligations for which no market exists and/or which are restricted as to their transferability under local governmental securities laws or practices. The sale of any such investments may be subject to delays and additional costs and may be possible only at substantial discounts.

***Portfolio Turnover.*** The operation of the Fund may result in a high annual portfolio turnover rate. The Fund has not placed any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Investment Manager, investment considerations warrant such action. A

high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees).

***Interest Rate Fluctuations.*** In the case of interest rate sensitive securities, the value of a security may change as the general level of interest rates fluctuates. When interest rates decline, the value of such securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline.

***Low Rated or Unrated Debt Obligations.*** A portion of the Fund's portfolio may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

***Conflicts of Interest.*** The Fund may be subject to various conflicts of interest due to the fact that the Investment Manager is engaged in a wide variety of management, advisory and other business activities. The Investment Manager's investment decisions for the Fund will be made independently of those made for the other clients of the Investment Manager and independently of its own investments. However, on occasion, the Investment Manager may make the same investment for the Fund and one or more of its other clients. Where the Fund and one or more of the other clients of the Investment Manager are engaged in the purchase or sale of the same security, the transaction will be effected on an equitable basis. The Investment Manager will allocate opportunities to make and dispose of investments equitably among clients with similar investment objectives having regard to whether the security is currently held in any of the relevant investment portfolios, the relative size and rate of growth of the Fund and the other funds under common management and such other factors as the Investment Manager considers relevant in the circumstances.

***Involvement in Other and Competing Activities.*** The Investment Manager, its respective officers, directors, employees, or shareholders and their respective affiliates and associates are not limited or affected in their ability to carry on other business ventures for their own account, or for the account of others, and may be engaged in the development of, investment in, or management of businesses that may compete with the business of the Fund. Investment in the Fund will not carry with it the right of the Fund or of any Unitholder to invest in any other venture of the Investment Manager or its affiliates or associates or to any profit therefrom or to any interest therein. The Investment Manager may have a conflict of interest in carrying out its obligations to the Fund as a result of its involvement in competing activities.

***Competition for Services.*** The Fund will not have independent management and will rely upon the Investment Manager to manage the business of the Fund and to provide managerial skill. The directors and officers of the Investment Manager may have a conflict of interest in allocating their time between the business of the Investment Manager and the Fund, and other businesses or projects in which they may become involved. The directors and officers of the Investment Manager have, however, agreed to devote as much time to the Fund as is required for the effective management of the Fund.

***Reliance on Management.*** The success of the Fund will be entirely dependent upon the efforts of the Investment Manager.

***No Assurance of Return.*** Although the Investment Manager will use its best efforts to achieve superior rates of return for the Fund, no assurance can be given in this regard. An investment in Units should be considered as speculative and investors must be able to bear the risk of a complete loss of their investment.

***Investments in Unsecured Indebtedness.*** The Fund may invest, from time to time, in unsecured debt obligations of small capitalization companies. In the event of a default in the repayment of these obligations, the Fund's investment in such indebtedness may be lost in whole or in part.

***Lack of Separate Counsel.*** Counsel for the Fund in connection with this offering is also counsel to the Investment Manager. The Unitholders, as a group, have not been represented by separate counsel and counsel for the Fund and

the Investment Manager does not purport to have acted for the Unitholders or to have conducted any investigation or review on their behalf.

***International Investment.*** The risk of loss on foreign investments may be greater than risks associated with Canadian investments as there is often less information available about foreign companies than about domestic companies due to the fact that many foreign companies are not subject to the uniform and extensive accounting, auditing and financial reporting standards and practices, government supervision and regulation and other disclosure requirements which apply to companies in Canada. Additionally, the Fund's foreign investment may be subject to foreign investment and exchange control laws, foreign withholding tax, or the risk of possible expropriation or imposition of confiscatory taxation. In addition, foreign stock markets may be less liquid and more volatile than the North American stock markets, trade and settlement practices are often not as developed and corporate actions are often not as controlled. Any foreign investments will have risks associated with changes in foreign exchange rates and, possibly, restriction on the repatriation of funds or dividends.

***Limited Resources of Investment Manager.*** The Investment Manager has no obligation to fund any operating deficits resulting from the business of the Fund or to advance funds to continue the business operations of the Fund. Even if the Investment Manager should elect to do so voluntarily or be held individually accountable by Fund creditors, its available assets will likely not be adequate to satisfy the capital needs of continuing business operations. The Investment Manager has no equity and, consequently no capital resources. If Fund revenues are insufficient to pay Fund expenses after expending the funds obtained from this Offering and if the Investment Manager does not advance such additional funds as may be needed by the Fund, the Fund may not be able to continue its business operations in the absence of an alternative source of financing, and there can be no assurance that such financing will be available to the Fund.

## **REPORTING OBLIGATIONS**

As a Unitholder of the Fund you will be entitled to receive copies of the Fund's audited financial statements and interim financial statements for the first six months of each fiscal year of the Fund. Copies of other public disclosure documents of the Fund will be available on the Internet at [www.SEDAR.com](http://www.SEDAR.com), if, as and when the Fund becomes a reporting issuer.

## **RESALE RESTRICTIONS**

These securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

Unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Fund becomes a reporting issuer in any Canadian province or territory.

### **Manitoba Resale Restrictions**

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless:

1. the Fund has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus; or
2. you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **INVESTORS' RIGHTS**

Securities legislation in certain of the Provinces of Canada requires investors to be provided with a remedy for rescission or damages, or both, in addition to any other right that they may have at law, where an offering memorandum and any amendment to it contains a misrepresentation. These remedies must be exercised by the investor within the time limits prescribed by the applicable securities legislation. Investors should refer to the applicable provisions of the securities legislation for the complete text of these rights. If you purchase these securities you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

The applicable contractual and statutory rights are summarized below and such contractual rights will be embodied in the Subscription Agreement to be executed and delivered by each investor to the Fund prior to the issuance of Units. By its execution of the Subscription Agreement, the Fund will be deemed to have granted these rights to the particular investor.

The applicable statutory rights are available to an investor whether or not the investor relied on the misrepresentation. However, there are various defences available to the persons or companies an investor has a right to sue, including if the investor knew of the misrepresentation when the investor purchased the securities.

The following summaries are subject to the express provisions of the securities laws of the applicable Province and reference is made thereto for the complete text of such provisions. The rights of action described below are in addition to and without derogation from any right or remedy available at law to the investor and are intended to correspond to the provisions of the relevant securities legislation and are subject to the defences contained therein.

If you intend to rely on the rights described below, you must do so within strict time limitations, which are described below.

### **Two Day Cancellation Right for Certain Investors**

If you purchase Units having an aggregate subscription price of less than \$50,000, or, if you purchase Units in reliance on the exemption from the prospectus requirement afforded by Section 2.9 of NI 45-106, you can cancel your agreement to purchase these securities. To do so, you must send a notice to the Fund by midnight on the second business day after you sign the agreement to buy the securities.

### **Rights for Investors in British Columbia and Alberta**

Securities legislation in British Columbia provides that every investor in securities pursuant to this Offering Memorandum shall have, in addition to any other rights they may have at law, a right of action for damages or rescission, against the Fund and every person who signs the Offering Memorandum or any amendment thereto, in the event that the Offering Memorandum or any amendment thereto contains a misrepresentation. However, such rights must be exercised within prescribed time limits. Investors should refer to the applicable provisions of the British Columbia or Alberta securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. A "material fact" means any fact that significantly affects or could reasonably be expected to significantly affect the market price or the value of the Units.

In British Columbia or Alberta, no action shall be commenced to enforce a statutory right of action unless the right is exercised:

- (a) in the case of rescission, on notice to the Fund not later than 180 days from the day of the transaction that gave rise to the cause of action, or
- (b) in the case of damages, on notice given to the Fund not later than

- (i) 180 days from the day the investor first had knowledge of the facts giving rise to the cause of action, or
- (ii) three years from the day of the transaction that gave rise to the cause of action.

Reference is made to the *Securities Act* (British Columbia) and the *Securities Act* (Alberta) for the complete text of the provisions under which these rights are conferred and this summary is subject to the express provisions of the *Securities Act* (British Columbia) or the *Securities Act* (Alberta), as applicable.

### **Rights for Investors in Saskatchewan**

*The Securities Act, 1988* (Saskatchewan), as amended, provides that, subject to certain limitations, where this Offering Memorandum contains a misrepresentation (as defined in *The Securities Act, 1988* (Saskatchewan)), an investor who purchases a security covered by this Offering Memorandum, has a right of action for damages against the issuer of the security, the promoters and directors of the issuer, every person or company whose consent has been filed with the Offering Memorandum (but only with respect to reports, opinions or statements that have been made by them), every person who signed the Offering Memorandum and every person who or company that sells the securities on behalf of the issuer under the Offering Memorandum.

Alternatively, where the investor purchased the security from the issuer, the investor may elect to exercise a right of rescission against the issuer.

In addition, subject to certain limitations, where an individual makes a verbal statement to a prospective investor that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the investor has a right of action for damages against the individual who made the verbal statement.

No action may be commenced to enforce any of the foregoing rights:

- (a) in the case of rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; and
- (b) in the case of any other action, other than an action for rescission, more than the earlier of (i) one year after the investor first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

### **Rights for Investors in Ontario**

Section 130.1 of the *Securities Act* (Ontario) provides that in the event that this Offering Memorandum, together with any amendments thereto, is delivered to an investor of Units resident in Ontario and contains an untrue statement of a material fact or omits to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made, the investor will have a right of action against the Fund for damages or rescission as follows:

- (a) the right of action for rescission or damages will be exercisable by an investor resident in Ontario only if the investor gives written notice to the Fund, not later than 180 days after the date on which payment was made for the securities (or after the initial payment was made for the securities, where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to or concurrently with the initial payment), that the investor is exercising this right, or alternatively, in an action for damages, the right of action will be exercisable by an investor only if the investor gives notice to the Fund not later than the earlier of:
  - (i) 180 days after the investor first had knowledge of the facts giving rise to the cause of action; or

- (ii) three years after the date of the transaction giving rise to the cause of action.
- (b) the Fund will not be liable if it proves that the investor purchased the securities with knowledge of the misrepresentation;
- (c) in the case of an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon;
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were sold to the investor; and
- (e) the rights of action for rescission or damages are in addition to and without derogation from any other right the investor may have at law.

### **Rights for Investors in Nova Scotia**

Section 65 of *The Securities Act* (Nova Scotia) (the “NS Act”) requires the Fund to notify investors purchasing Units pursuant to this Offering Memorandum in the Province of Nova Scotia that they may have the following rights of rescission or damages.

In the event that the Offering Memorandum, together with any amendments thereto, or any “advertising or sales literature” (as defined in the NS Act) delivered to an investor, contains any untrue statement of material fact or omits to state a material fact necessary in order to make any statement not misleading in light of circumstances in which it was made (herein called a “Misrepresentation”) and it is a Misrepresentation on the date of investment, an investor to whom the Offering Memorandum and any amendment thereto, or any “advertising or sales literature” (as defined in the NS Act), has been delivered on behalf of the Fund and who purchases Units shall be deemed to have relied on such Misrepresentation and such investor shall have a right of action against the Fund for damages, or so long as such investor is the owner of such Units at his, her or its election, for rescission.

For investors this right is exercisable if an action is commenced to enforce this right within 120 days after the date on which payment was made for the Units by the investors or after the date on which the initial payment for the Units was made by the investor where payments subsequent to the initial payment are made by the investor pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment.

These rights are intended to correspond with the rights against a seller of securities provided in Section 138 of the NS Act and the Rules thereto and are subject to defences contained therein such that:

- (a) the Fund will not be held liable if the investor purchased the Units with knowledge of the Misrepresentation;
- (b) in an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and
- (c) in no case will the amount recoverable by an Investor exceed the price at which the Units were sold to the investor.

### **Rights for Investors in New Brunswick**

If this Offering Memorandum, together with any amendments thereto, is delivered to a prospective investor of Units, and this Offering Memorandum contains a “misrepresentation” which was a misrepresentation at the time of the purchase of the Units, the investor will have a right of action against the Fund for damages, or while still the owner of the Units, for rescission, in which case, if the investor elects to exercise the right of rescission, the investor will have no right of action for damages. However, such rights must be exercised within prescribed time limits.

Investors should refer to the applicable provisions of the New Brunswick securities legislation for particulars of those rights or consult with a lawyer. For these purposes, a “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated, or necessary to prevent a statement that is made from being misleading in the circumstances in which it was made. A “material fact” means any fact that would reasonably be expected to have a significant effect on the market price or the value of the Units.

The Fund will not be liable if it proves that the investor purchased the securities with knowledge of the misrepresentation. In the case of an action for damages, the Fund will not be liable for all or any portion of such damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon and in no case will the amount recoverable in any action exceed the price at which the securities were sold to the investor.

No action may be commenced to enforce any of the foregoing rights:

- (a) in the case of rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of (i) one year after the investor first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of the transaction that gave rise to the cause of action.

The right of action for rescission or damages is in addition to and without derogation from any other right the investor may have at law.

#### **Rights for Investors in Newfoundland & Labrador**

If this Offering Memorandum, together with any amendments thereto delivered to an investor resident in Newfoundland & Labrador before the issue of Units to such investor, contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statement in it not misleading in light of the circumstances in which it was made (a “Misrepresentation”) and it was a Misrepresentation at the time of the purchase of the Units, an investor to whom this Offering Memorandum, or any amendment hereto, was delivered and who purchases Units shall have, subject as hereinafter provided, a right of action against the Fund either for damages or, alternatively, while still the owner of the Units purchased by the investor, for rescission, in which case, if the investor elects to exercise the right of rescission, the investor will have no right of action for damages against the Fund, provided that:

- (a) the right of action for rescission or damages will be exercisable only if the investor gives notice to the Fund not later than 90 days after the date on which the payment is made for the Units that the investor is exercising this right;
- (b) the Fund will not be liable if it proved that the investor purchased the Units with knowledge of the Misrepresentation;
- (c) in the case of an action for damages, the Fund will not be liable for all or any portion of those damages that it proves does not represent the depreciation in value of the Units as a result of the Misrepresentations relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the Units were sold to the investor plus accrued interest.

**Contractual Rights of Action for Investors in Manitoba, Québec, Prince Edward Island, Northwest Territories and Nunavut**

If there is a misrepresentation in the Offering Memorandum, investors resident in Manitoba, Québec, Prince Edward Island, Northwest Territories or Nunavut will have, in addition to any statutory rights that may be available to them, a contractual right to sue the Fund:

- (a) to cancel the investors' agreement to buy the Units; or
- (b) for damages.

This contractual right to sue is available to the investor whether or not the investor relied on the misrepresentation. However, in an action for damages, the amount the investor may recover will not exceed the price that it paid for its securities and will not include any part of the damages that the Fund proves does not represent the depreciation in value of the securities resulting from the misrepresentation. The Fund has a defence if it proves that the investor knew of the misrepresentation when the investor purchased the securities.

If an investor intends to rely on the rights described in (a) or (b) above, it must do so within strict time limitations. An investor must commence its action to cancel the agreement within 180 days after it signed the agreement to purchase the securities. The investor must commence its action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after it signed the agreement to purchase the securities.

**AUDITED FINANCIAL STATEMENTS OF  
VERTEX MANAGED VALUE PORTFOLIO  
(FORMERLY VERTEX BALANCED FUND)  
AS AT DECEMBER 31, 2010**

# **Vertex Managed Value Portfolio**

Financial Statements

**December 31, 2010**

April 19, 2011

**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009 and the statements of operations and changes in net assets for the years then ended, and the related notes including a summary of significant accounting policies.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and 2009 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants

## Vertex Managed Value Portfolio

Statements of Net Assets

As at December 31

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

Approved by the Fund Manager

"Signed"

Matthew A. Wood

Director

"Signed"

Jeffrey McCord

Director

(See accompanying notes to the financial statements.)

## Vertex Managed Value Portfolio

Statements of Operations

For the years ended December 31

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

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

(See accompanying notes to the financial statements.)

## Vertex Managed Value Portfolio

Statements of Changes in Net Assets

For the years ended December 31

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

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at December 31, 2010

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

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at December 31, 2010

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

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at December 31, 2010

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

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

(See accompanying notes to the financial statements.)

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**December 31, 2010 and 2009**

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

The Vertex Managed Value Portfolio (the "Fund") was created on March 31, 1998 under the laws of British Columbia. Vertex One Asset Management Inc. is the Investment Manager and RBC Dexia Investor Services Trust is the Trustee and Custodian of the Fund. The Fund commenced operations on April 3, 1998. Effective June 1, 2007, the name of the Fund was changed from Vertex Balanced Fund. These financial statements have been prepared for the year ended December 31, 2010 and 2009.

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

### **2. Significant accounting policies**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

#### **Fair value disclosure**

In accordance with amendments to CICA Section 3862, Financial Instruments – Disclosures the Fund is required to disclose the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

Amendments to CICA 3862, Financial Instruments – Disclosures, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

#### **Valuation of investments**

The valuation methods adopted pursuant to Section 3855, which are discussed below, differ from methods used by the Fund in striking its net asset value (NAV) used in the processing of unitholder transactions during the year. The NAV continues to be computed using the Fund's previous valuation policies for actively traded securities, which are that listed securities are valued at the last reported sales price on the principal exchange on which the security trades.

## Vertex Managed Value Portfolio

### Notes to Financial Statements

December 31, 2010 and 2009

As at December 31, the Fund's net asset value per unit was:

As at December 31	Net Assets Per Unit		Net Asset Value Per Unit	
	2010	2009	2010	2009
Class A	\$ 15.48	\$ 14.01	\$ 15.49	\$ 14.04
Class B	5.88	5.37	5.89	5.38
Class F	15.48	14.02	15.50	14.05

The difference between the net asset value per unit and the net assets per unit reported in the Statements of Net Assets results from the use of different valuation methodologies discussed above.

For financial statement purposes, the fair value of the Fund's investments is determined as follows:

Investments are categorized as held for trading in accordance with Section 3855. Investments are recorded at fair value, established by the bid price for a long security and ask price for short security on the recognized exchange on which it is principally traded (GAAP Net Assets). The value of any security which is not listed or traded on an exchange, but which is listed or traded on another market, including an over-the-counter market, (being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof), shall be determined in the same manner as a listed security by reference to prices on that market.

The value of any security or property for which, in the opinion of the Investment Manager the published market quotations are not readily available shall be the fair value as determined by the Investment Manager based on valuation techniques. The fair value of certain securities are determined by using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparison with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would have used had a ready market for the investment existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Investment purchase and sale transactions are recorded on trade date and realized and unrealized gains and losses on investments are determined using average cost.

#### Other assets and liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends receivable, subscriptions receivable and other assets are designated as loans and other receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities and redemptions payable are designated as other financial liabilities and reported at cost or amortized cost.

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**December 31, 2010 and 2009**

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### **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. In accordance with Section 3855, transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. The embedded transaction costs in the cost of investment portfolio as at December 31, 2010 are disclosed in the Statement of Investments.

### **Recognition of income and expenses**

The accrual method of recording income and expenses is followed by the Fund with dividends being recorded on the ex-dividend date. Realized gains and losses on investments and unrealized appreciation/(depreciation) in the value of investments are calculated using the average cost of the related investments. Income, realized gain/(loss) and unrealized gain/(loss) are allocated among the classes on a pro-rata basis. Distributions received from income trusts are recorded as income, capital gains or return of capital based on the best information available to the Fund. Distributions that are treated as return of capital for income tax purposes reduce the average cost of the underlying income trust.

### **Purchase and redemption of units**

The value at which units are issued or redeemed is determined by dividing the net assets at fair value of the Fund applicable to that Class by the total number of units of that class outstanding on the valuation date, which is the last business day of each month or any other business day specified by the Investment Manager from time to time. For the purposes of purchase and redemption of units, the net asset value as described above is used, which differs from the net assets per unit in the Statements of Net Assets. Amounts received on the issuance of units and amounts paid on the redemption of units are added to or deducted from unitholders' equity.

### **Options**

Options may be used by the Fund, but only to the extent considered appropriate by the Manager. Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Statement of Investments. Exchange traded options are valued at current fair value and over the counter options are valued using industry-accepted modeling techniques on each valuation day based on the value that would be realized if the option was closed out in the valuation date.

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – realized gains will arise equal to the intrinsic value of the option; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling options to close the position net of any premium paid.

Realized gains and losses relating to written options may arise from:

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in “realized gain (loss) on sale of investments” in the Statements of Operations.

### Foreign currency translation

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date.

### Increase (decrease) in net assets from operations for each Class

Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the net increase (decrease) in net assets from operations for the year, divided by the weighted average units outstanding during the year.

### Future Accounting Changes

In January 2011, the Accounting Standards Board (AcSB) of the CICA approved a further one year deferral of adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2013.

## 3. Fair Value Disclosure

The Fund’s assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 2 for a discussion of the Fund’s policies regarding this hierarchy. The following fair value hierarchy table presents information about the Fund’s assets measured at fair value on a recurring basis as of December 31, 2010.

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

There were no transfers between levels during 2010.

## Vertex Managed Value Portfolio

### Notes to Financial Statements

December 31, 2010 and 2009

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2009.

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

The following is a reconciliation of Level 3 fair value measurements from December 31, 2009 to December 31, 2010:

Fair value measurements using level 3 inputs	
	Bonds- Long
<b>Balance at December 31, 2009</b>	\$ 250,000
Net purchases and sales	-
Net transfers in (out)	-
Gains (Losses)	
Realized	-
Unrealized	(36,675)
<b>Balance at December 31, 2010</b>	<u>\$ 213,325</u>
Total change in unrealized loss during the period for assets held at December 31, 2010	\$ (36,675)

The following is a reconciliation of Level 3 fair value measurements from December 31, 2008 to December 31, 2009:

Fair value measurements using level 3 inputs	
	Bonds- Long
<b>Balance at December 31, 2008</b>	\$ -
Net purchases and sales	-
Net transfers in (out)	250,000
Gains (Losses)	
Realized	-
Unrealized	-
<b>Balance at December 31, 2009</b>	<u>\$ 250,000</u>
Total change in unrealized gain or loss during the period for assets held at December 31, 2009	\$ -

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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### Level 3 sensitivity analysis

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of \$213,325 as of December 31, 2010 (2009 - \$250,000). The unobservable inputs used in the valuation of these financial instruments primarily include key variables, current market conditions and recent financing by the company, if any. These securities are affected by market activity in their relevant sectors and therefore generally fluctuate similarly.

If relevant market-related inputs increased or decreased by 5% with all other variables remaining constant, net assets would have possibly increased or decreased by approximately \$10,666 (2009 - \$12,500).

### 4. Unitholders' equity

Unitholders' equity includes amounts representing net fund unit subscriptions, undistributed net income, undistributed realized gains (losses) on sale of investments and unrealized appreciation (depreciation) in value of investments. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in the Financial Risk Management notes (Note 10), the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of units during the year:

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

Certain directors and/or related parties of the fund held greater than 10% of the fund units at December 31, 2010.

### 5. Fees and expenses

#### a) Management fees

Pursuant to the terms of a management agreement, the Fund pays to the Investment Manager, monthly in arrears, a base management fee. The management fee may vary from class to class and for each of the existing classes of units is as follows:

## **Vertex Managed Value Portfolio**

### **Notes to Financial Statements**

**December 31, 2010 and 2009**

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Class A: 1% per annum of the Net Asset Value of class A units of the Fund on the last business day of the preceding month.

Class B: 1.9% per annum of the Net Asset Value of class B units of the Fund on the last business day of the preceding month.

Class F: 1% per annum of the Net Asset Value of class F units of the Fund on the last business day of the preceding month.

#### ***b) Performance fees***

The Fund also pays the Investment Manager an annual performance fee (the “performance fee”) equal to 20% of the amount by which the percentage increase in Net Asset Value per Unit exceeds a threshold annualized increase of 5% of the Net asset value of such Units at the beginning of that fiscal year. The Performance Fee is accrued monthly and is payable for each calendar year. The Performance Fee is payable by the Fund within 10 business days from the year-end. Upon redemption of Units of a particular Class, the accrued portion of the Performance Fee allocated to the redeemed Units for that Class will be payable by the Fund within 10 business days of the month in which the Units were redeemed.

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

#### ***c) Fees and expenses***

The Fund is responsible for the payment of all fees and expenses relating to its operations, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Investment Manager), record keeping and legal fees and expenses, custody and safekeeping charges.

#### **6. Distribution of net investment income and capital gains**

Net investment income and net capital gains of the Fund are distributed to unitholders of record as of the close of business on the last valuation day in the year. All distributions are reinvested automatically in additional units of the Fund immediately following the valuation date.

#### **7. Income taxes**

The Fund is a mutual fund trust as defined by the Income Tax Act. No provision for income taxes are included in the financial statements as the net income and net capital gains are distributed to the unitholders and immediately reinvested in the Fund. As of December 31, 2010, there were \$17,344,412 (2009 - \$12,365,993) of capital losses and non capital losses of \$469,059 (2009 - \$nil) to be carried forward. The capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future periods. Non capital losses can be carried forward for 20 years and will expire by 2030 if not utilized.

# Vertex Managed Value Portfolio

## Notes to Financial Statements

December 31, 2010 and 2009

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### 8. Soft dollar commissions

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the investment manager. There were \$6,615 soft dollar commissions paid (2009 - \$32,582) during the year.

### 9. Securities Lending Transactions

The Fund lends portfolio securities from time to time in order to earn additional income. Income from securities lending is recorded in investment income in the Statements of Operations of the Fund.

The Fund has entered into a securities lending program with its custodian, the RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 100% of the assets of the Fund. The Fund receives collateral of at least 105% of the value of securities on loan. Collateral may comprise cash, shares, and obligations of or guaranteed by the Government of Canada or a province thereof, by the United States government or its agencies, or by other Organization for Economic Coordination & Development (OECD) member countries' governments.

As at December 31, 2010, there were no securities on loan (2009 - nil) and no collateral (2009 - nil) held under securities lending.

### 10. Financial Risk Management

The Fund's financial instruments consist of investments, short-term receivables and payables. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Investment Manager maintains a risk management practice that includes quarterly monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The most important risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

#### (a) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

As of December 31, 2010, if the S&P 500 Large Cap Index had increased or decreased by 5% with all other variables held constant, this would have approximately increased or decreased net assets to

## Vertex Managed Value Portfolio

### Notes to Financial Statements

December 31, 2010 and 2009

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

#### (b) Interest rate risk

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

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

	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
<b>As at December 31, 2010</b>					
<b>Assets</b>					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 132,712,380	\$ 132,712,380
Bonds	2,335,141	4,637,878	1,763,708	-	8,736,727
Cash and cash equivalents	448,818	-	-	-	448,818
Accrued interest and dividends receivable	-	-	-	199,854	199,854
Subscriptions receivable	-	-	-	1,090,913	1,090,913
<b>Total Assets</b>	<b>2,783,959</b>	<b>4,637,878</b>	<b>1,763,708</b>	<b>134,003,147</b>	<b>143,188,692</b>
<b>Liabilities</b>					
Accrued performance fees	-	-	-	1,907,174	1,907,174
Management fees payable	-	-	-	143,783	143,783
Accounts payable and accrued liabilities	-	-	-	70,857	70,857
Redemptions payable	-	-	-	891,966	891,966
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,013,780</b>	<b>3,013,780</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 2,783,959</b>	<b>\$ 4,637,878</b>	<b>\$ 1,763,708</b>	<b>\$ 130,989,367</b>	<b>\$ 140,174,912</b>

## Vertex Managed Value Portfolio

### Notes to Financial Statements

December 31, 2010 and 2009

	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
<b>As at December 31, 2009</b>					
<b>Assets</b>					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 118,164,347	\$ 118,164,347
Bonds	-	6,206,371	2,374,045	-	8,580,416
Cash and cash equivalents	98,503	-	-	-	98,503
Accrued interest and dividends receivable	-	-	-	244,952	244,952
Subscriptions receivable	-	-	-	615,849	615,849
<b>Total Assets</b>	<b>98,503</b>	<b>6,206,371</b>	<b>2,374,045</b>	<b>119,025,148</b>	<b>127,704,067</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	-	-	-	91,003	91,003
Redemptions payable	-	-	-	491,608	491,608
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>582,611</b>	<b>582,611</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 98,503</b>	<b>\$ 6,206,371</b>	<b>\$ 2,374,045</b>	<b>\$ 118,442,537</b>	<b>\$ 127,121,456</b>

At December 31, 2010, should interest rates have increased or decreased by 25 basis points with all other variables remaining constant, the decrease or increase in net assets for the year would amount to approximately \$51,957 (2009 - \$58,121). Actual results may differ from this sensitivity analysis and those results could be material. The Fund's managers review the interest rate exposure on a regular basis.

#### (c) *Currency risk*

Currency risk is the risk that the value of investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's managers review the currency positions of the Fund on a regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

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

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

## Vertex Managed Value Portfolio

### Notes to Financial Statements

December 31, 2010 and 2009

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As at December 31, 2010, if the exchange rate between the Canadian Dollar and the US Dollar the Fund was exposed to increased or decreased by 5%, with all other variables held constant, the decrease or increase respectively in net assets would approximately amount to values \$4,223,941 (December 31, 2009 - \$4,462,257). Actual results may differ from this sensitivity analysis and those results could be material.

**(d) Credit risk**

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from bonds. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund invests in financial assets, which have an investment grade as rated primarily by Dominion Bond Rating Service and Standard & Poor's. Ratings for securities that subject the Fund to credit risk are noted below:

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

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold/lent is only made once the broker has received payment. Payment is made on securities purchased/borrowed once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

**(e) Liquidity risk**

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units at the monthly valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The Fund retains sufficient cash and cash equivalents to maintain liquidity. Liquidity risk is considered negligible

## **Vertex Managed Value Portfolio**

### **Notes to Financial Statements**

**December 31, 2010 and 2009**

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

#### **11. Exemption from Regulatory Filing**

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Vertex One Asset Management Inc., as investment manager to the Fund, has provided notice to the securities regulatory authority that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Vertex One Asset Management Inc. will not be filing the annual financial statements for the Fund with the regulator.

**UNAUDITED FINANCIAL STATEMENTS OF  
VERTEX MANAGED VALUE PORTFOLIO  
(FORMERLY VERTEX BALANCED FUND)  
AS AT JUNE 30, 2011**

# **Vertex Managed Value Portfolio**

**Semi-Annual Financial Statements**

**June 30, 2011 (Unaudited)**

## Vertex Managed Value Portfolio

Statements of Net Assets

As at June 30, 2011 (unaudited) and December 31, 2010 (audited)

	2011	2010
<b>Assets</b>		
Investments at fair value (cost - \$110,961,758; 2010 - \$113,190,586)	\$ 128,900,531	\$ 141,449,107
Cash and cash equivalents	1,013,477	448,818
Due from Broker	8,444,902	-
Accrued interest and dividends receivable	307,822	199,854
Subscriptions receivable	2,003,818	1,090,913
	<u>140,670,550</u>	<u>143,188,692</u>
<b>Liabilities</b>		
Accrued performance fees	-	1,907,174
Management fees payable	-	143,783
Accounts payable and accrued liabilities	16,073	70,857
Redemptions payable	1,478,973	891,966
	<u>1,495,046</u>	<u>3,013,780</u>
<b>Net assets representing unitholders' equity</b>	<u>\$ 139,175,504</u>	<u>\$ 140,174,912</u>
<b>Net assets representing unitholders' equity per Class</b>		
Class A	\$ 79,296,432	\$ 78,249,888
Class B	\$ 14,226,698	\$ 15,663,731
Class F	\$ 45,652,374	\$ 46,261,293
<b>Net assets per unit (Note 2)</b>		
Class A	\$ 14.93	\$ 15.48
Class B	\$ 5.65	\$ 5.88
Class F	\$ 14.94	\$ 15.48

Approved by the Fund Manager

(signed) "Matthew A. Wood"

Matthew A. Wood

Director

(signed) "Jeffrey McCord"

Jeffrey McCord

Director

(See accompanying notes to financial statements)

## Vertex Managed Value Portfolio

Statements of Operations

For the six months ended June 30 (unaudited)

	2011	2010
<b>Investment income</b>		
Dividends (net of withholding tax: \$98,950 ; 2010 - \$49,336)	\$ 1,803,584	\$ 978,126
Interest	327,366	391,667
	<u>2,130,950</u>	<u>1,369,793</u>
<b>Expenses (Note 5)</b>		
Performance fees	-	8,326
Management fees	887,802	774,276
Securityholder reporting costs	35,258	29,391
Other administrative expenses	44,489	30,624
Custody fees	20,647	17,984
Audit fees	10,958	11,257
Legal fees	554	1,374
Trustee fees	2,751	2,500
	<u>1,002,459</u>	<u>875,732</u>
<b>Net investment income</b>	<u>1,128,491</u>	<u>494,061</u>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Realized gain (loss) on sale of investments	3,998,803	(3,348,471)
Transaction costs (Note 2)	(24,024)	(35,975)
Change in unrealized appreciation (depreciation) in value of investments	(10,319,748)	717,241
Change in unrealized appreciation (depreciation) in value of foreign currency	(1,118)	54,854
<b>Net loss on investments</b>	<u>(6,346,087)</u>	<u>(2,612,351)</u>
<b>Decrease in net assets from operations</b>	<u>\$ (5,217,596)</u>	<u>\$ (2,118,290)</u>
<b>Decrease in net assets from operations per Class</b>		
Class A	\$ (2,967,579)	\$ (1,235,989)
Class B	\$ (580,868)	\$ (282,228)
Class F	\$ (1,669,149)	\$ (600,073)
<b>Decrease in net assets from operations per unit (Note 4)*</b>		
Class A	\$ (0.56)	\$ (0.24)
Class B	\$ (0.22)	\$ (1.03)
Class F	\$ (0.55)	\$ (0.20)

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

(See accompanying notes to financial statements)

## Vertex Managed Value Portfolio

Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)

	Class A		Class B	
	2011	2010	2011	2010
Net assets, beginning of period	\$ 78,249,888	\$ 69,908,654	\$ 15,663,731	\$ 14,664,848
Increase (decrease) in net assets from operations	(2,967,579)	(1,235,989)	(580,868)	(282,228)
<b>Capital transactions (Note 4)</b>				
Proceeds from issuance of units	6,120,847	6,191,174	1,014,240	552,550
Redemption of units	(2,106,724)	(3,277,165)	(1,870,405)	(522,047)
	<u>4,014,123</u>	<u>2,914,009</u>	<u>(856,165)</u>	<u>30,503</u>
Net assets, end of period	<u>\$ 79,296,432</u>	<u>\$ 71,586,674</u>	<u>\$ 14,226,698</u>	<u>\$ 14,413,123</u>
	Class F		Total	
	2011	2010	2011	2010
Net assets, beginning of period	\$ 46,261,293	\$ 42,547,954	\$ 140,174,912	\$ 127,121,456
Increase (decrease) in net assets from operations	(1,669,149)	(600,073)	(5,217,596)	(2,118,290)
<b>Capital transactions (Note 4)</b>				
Proceeds from issuance of units	3,207,025	1,447,340	10,342,112	8,191,064
Redemption of units	(2,146,795)	(1,890,630)	(6,123,924)	(5,689,842)
	<u>1,060,230</u>	<u>(443,290)</u>	<u>4,218,188</u>	<u>2,501,222</u>
Net assets, end of period	<u>\$ 45,652,374</u>	<u>\$ 41,504,591</u>	<u>\$ 139,175,504</u>	<u>\$ 127,504,388</u>

(See accompanying notes to financial statements)

# Vertex Managed Value Portfolio

## Statement of Investments

As at June 30, 2011 (unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
<b>BONDS</b>						
<b>Corporate Bonds</b>						
1,000,000	ACE Cash Express Inc.	11.000%	01-Feb-19	989,615	967,515	
40,885	Ainsworth Lumber Co., Ltd.	11.000%	29-Jul-15	40,390	36,499	
250,000	Call Genie Inc.*	12.000%	31-Oct-12	250,000	213,325	
625,000	Catalyst Paper Corp.	7.375%	01-Mar-14	509,593	372,469	
400,000	Clearwater Seafoods Income Fund	7.250%	31-Mar-14	297,500	378,000	
35,000	Fairfax Financial Holdings Ltd.	8.250%	01-Oct-15	35,698	38,062	
500,000	Interactive Network Inc/FriendFinder Networks Inc.	14.000%	30-Sep-13	439,068	507,885	
500,000	Level 3 Financing Inc.	10.000%	01-Feb-18	515,806	518,139	
375,000	MEGA Brands Inc.	10.000%	31-Mar-15	375,000	390,075	
300,000	NAL Energy Corp.	6.250%	31-Dec-14	300,000	309,000	
400,000	National Money Mart Co.	10.375%	15-Dec-16	420,921	423,680	
750,000	Skylink Aviation Inc.	12.250%	15-Mar-16	750,000	748,438	
1,500,000	Synovus Financial Corp.	4.875%	15-Feb-13	1,374,809	1,373,591	
700,000	Zarlink Semiconductor Inc.	6.000%	30-Sep-12	515,375	770,000	
	<b>Total Corporate Bonds</b>			<b>6,813,775</b>	<b>7,046,678</b>	<b>5.47</b>
<b>Strip Bonds &amp; Coupons</b>						
124,000	Province of Newfoundland Coupon Strip	0.000%	17-Apr-21	78,199	83,083	
	<b>Total Strip Bonds &amp; Coupons</b>			<b>78,199</b>	<b>83,083</b>	<b>0.06</b>
	<b>TOTAL BONDS</b>			<b>6,891,974</b>	<b>7,129,761</b>	<b>5.53</b>
<b>STOCKS</b>						
<b>ENERGY</b>						
29,000	Seadrill Ltd.			659,517	986,855	
	<b>TOTAL ENERGY</b>			<b>659,517</b>	<b>986,855</b>	<b>0.77</b>
<b>MATERIALS</b>						
131,200	Acadian Timber Corp.			840,515	1,546,848	
270,200	Canfor Corp.			1,436,044	2,850,610	
203,250	Conifex Timber Inc.			1,722,813	1,961,363	
2,528,000	Fibretek Inc.			854,754	3,412,800	
1,329,400	International Forest Products Ltd., Class A			3,698,287	6,859,704	
90,000	Louisiana-Pacific Corp.			866,240	707,034	
123,620	Norbord Inc.			1,063,747	1,497,038	
6,259,000	Prima Colombia Hardwood Inc.			1,635,639	1,064,030	
1,448,700	PRT Forest Regeneration Income Fund			2,372,402	4,635,840	
80,400	West Fraser Timber Co., Ltd.			1,976,652	4,203,312	
	<b>TOTAL MATERIALS</b>			<b>16,467,093</b>	<b>28,738,579</b>	<b>22.30</b>
<b>INDUSTRIALS</b>						
<b>Capital Goods</b>						
6,460,000	Eacom Timber Corp.			3,971,750	1,905,700	
2,850,000	Eacom Timber Corp. (Restricted 21Aug11)			1,425,000	840,750	
112,270	Ingersoll-Rand PLC			5,278,413	4,920,264	
	<b>Total Capital Goods</b>			<b>10,675,163</b>	<b>7,666,714</b>	<b>5.95</b>

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at June 30, 2011 (unaudited)

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
<b>Transportation</b>				
174,300	Chorus Aviation Inc.	963,879	880,215	
	<b>Total Transportation</b>	963,879	880,215	0.68
	<b>TOTAL INDUSTRIALS</b>	11,639,042	8,546,929	6.63
<b>CONSUMER DISCRETIONARY</b>				
<b>Consumer Durables &amp; Apparel</b>				
66,700	Beazer Homes USA Inc., PFD	1,789,176	1,188,956	
4,375	Hovnanian Enterprises Inc., PFD	106,834	66,966	
289,500	Mattel Inc.	6,221,590	7,677,830	
300,000	MEGA Brands Inc., Warrants (30Mar15)	-	54,000	
	<b>Total Consumer Durables &amp; Apparel</b>	8,117,600	8,987,752	6.97
<b>Media</b>				
120,000	Call Genie Inc., Warrants (31Oct11)	-	384	
	<b>Total Media</b>	-	384	-
	<b>TOTAL CONSUMER DISCRETIONARY</b>	8,117,600	8,988,136	6.97
<b>HEALTH CARE</b>				
<b>Pharmaceuticals &amp; Biotechnology</b>				
34,800	Bristol-Myers Squibb Co.	741,721	971,966	
35,000	Merck & Co., Inc.	1,167,076	1,191,370	
317,900	Pfizer Inc.	5,316,035	6,317,133	
250,000	QLT Inc.	2,231,748	1,730,000	
80,000	QLT Inc. (\$US)	293,299	555,899	
74,467	Valeant Pharmaceuticals International Inc.	694,229	3,731,541	
	<b>Total Pharmaceuticals &amp; Biotechnology</b>	10,444,108	14,497,909	11.25
	<b>TOTAL HEALTH CARE</b>	10,444,108	14,497,909	11.25
<b>FINANCIALS</b>				
<b>Banks</b>				
178,000	Banco Santander SA, ADR	2,222,181	1,977,282	
31,384	Citigroup Inc.	1,032,216	1,260,012	
95,000	KeyCorp	990,912	762,817	
150,000	Regions Financial Corp.	1,016,807	896,097	
39,000	SunTrust Banks Inc.	1,222,967	969,956	
25,000	Synovus Financial Corp., PFD	648,321	484,964	
17,919	Wells Fargo & Co.	561,548	485,087	
90,233	Zions Bancorporation	2,127,701	2,090,017	
	<b>Total Diversified Financials</b>	9,822,653	8,926,232	6.92
<b>Diversified Financials</b>				
54,320	Bank of America Corp.	1,106,291	574,046	
19,000	JPMorgan Chase & Co.	764,348	750,164	
	<b>Total Diversified Financials</b>	1,870,639	1,324,210	1.03

(See accompanying notes to the financial statements.)

# Vertex Managed Value Portfolio

## Statement of Investments

As at June 30, 2011 (Unaudited)

Number of Shares	Description	Average Cost \$	Fair Value \$	% of Total
<b>Insurance</b>				
100,000	Aspen Insurance Holdings Ltd.	2,841,492	2,483,207	
9,000	Aspen Insurance Holdings Ltd., PFD	510,659	449,931	
33,900	Fairfax Financial Holdings Ltd.	6,442,142	13,085,400	
244,000	Genworth Financial Inc., Class A	2,406,672	2,418,430	
477,400	Montpelier Re Holdings Ltd.	10,254,608	8,297,921	
68,500	Old Republic International Corp.	1,035,880	776,786	
114,557	PartnerRe Ltd.	8,422,381	7,604,260	
234,800	Platinum Underwriters Holdings Ltd.	7,963,148	7,527,849	
136,350	XL Group PLC	1,730,731	2,892,384	
36,000	XL Group PLC, PFD	1,090,566	1,033,972	
	<b>Total Insurance</b>	42,698,279	46,570,140	36.13
	<b>TOTAL FINANCIALS</b>	54,391,571	56,820,582	44.08
 <b>INFORMATION TECHNOLOGY</b>				
<b>Technology Hardware &amp; Equipment</b>				
194,500	Celestica Inc.	1,173,463	1,633,800	
	<b>TOTAL INFORMATION TECHNOLOGY</b>	1,173,463	1,633,800	1.27
 <b>REAL ESTATE</b>				
39,840	Plum Creek Timber Co., Inc.	1,375,916	1,557,980	
	<b>TOTAL REAL ESTATE</b>	1,375,916	1,557,980	1.21
	<b>TOTAL STOCKS</b>	104,268,310	121,770,770	94.47
	<b>Transaction Costs (Note 3)</b>	(198,526)		
	<b>TOTAL INVESTMENTS</b>	110,961,758	128,900,531	100.00

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

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**June 30, 2011 (unaudited)**

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

The Vertex Managed Value Portfolio (the "Fund") was created on March 31, 1998 under the laws of British Columbia. Vertex One Asset Management Inc. is the Investment Manager and RBC Dexia Investor Services Trust is the Trustee and Custodian of the Fund. The Fund commenced operations on April 3, 1998. Effective June 1, 2007, the name of the Fund was changed from Vertex Balanced Fund. These financial statements have been prepared for the period ended June 30, 2011.

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

### **2. Significant accounting policies**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

#### **Fair value disclosure**

In accordance with amendments to CICA Section 3862, Financial Instruments – Disclosures the Fund is required to disclose the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

Amendments to CICA 3862, Financial Instruments – Disclosures, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

#### **Valuation of investments**

The valuation methods adopted pursuant to Section 3855, which are discussed below, differ from methods used by the Fund in striking its net asset value (NAV) used in the processing of unitholder transactions during the period. The NAV continues to be computed using the Fund's previous valuation policies for actively traded securities, which are that listed securities are valued at the last reported sales price on the principal exchange on which the security trades.

# Vertex Managed Value Portfolio

## Notes to Financial Statements

June 30, 2011 (unaudited)

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As at June 30, 2011 and 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	
	2011	2010	2011	2010
Class A	\$ 14.93	\$ 15.48	\$ 14.98	\$ 15.49
Class B	5.65	5.88	5.66	5.89
Class F	14.94	15.48	14.98	15.50

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The difference between the net asset value per unit and the net assets per unit reported in the Statements of Net Assets results from the use of different valuation methodologies discussed above.

For financial statement purposes, the fair value of the Fund's investments is determined as follows:

Investments are categorized as held for trading in accordance with Section 3855. Investments are recorded at fair value, established by the bid price for a long security and ask price for short security on the recognized exchange on which it is principally traded (GAAP Net Assets). The value of any security which is not listed or traded on an exchange, but which is listed or traded on another market, including an over-the-counter market, (being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof), shall be determined in the same manner as a listed security by reference to prices on that market.

The value of any security or property for which, in the opinion of the Investment Manager the published market quotations are not readily available shall be the fair value as determined by the Investment Manager based on valuation techniques. The fair value of certain securities are determined by using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparison with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would have used had a ready market for the investment existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Investment purchase and sale transactions are recorded on trade date and realized and unrealized gains and losses on investments are determined using average cost.

### Other assets and liabilities

For the purposes of categorization in accordance with Section 3862, accrued interest and dividends receivable, subscriptions receivable and other assets are designated as loans and other receivables and recorded at cost or amortized cost. Similarly, accounts payable and accrued liabilities and redemptions payable are designated as other financial liabilities and reported at cost or amortized cost.

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**June 30, 2011 (unaudited)**

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### **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. In accordance with Section 3855, transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. The embedded transaction costs in the cost of investment portfolio as at 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.

### **Purchase and redemption of units**

The value at which units are issued or redeemed is determined by dividing the net assets at fair value of the Fund applicable to that Class by the total number of units of that class outstanding on the valuation date, which is the last business day of each month or any other business day specified by the Investment Manager from time to time. For the purposes of purchase and redemption of units, the net asset value as described above is used, which differs from the net assets per unit in the Statements of Net Assets. Amounts received on the issuance of units and amounts paid on the redemption of units are added to or deducted from unitholders' equity.

### **Options**

Options may be used by the Fund, but only to the extent considered appropriate by the Manager. Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Statement of Investments. Exchange traded options are valued at current fair value and over the counter options are valued using industry-accepted modeling techniques on each valuation day based on the value that would be realized if the option was closed out in the valuation date.

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – realized gains will arise up to the intrinsic value of the option;  
or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling options to close the position net of any premium paid.

Realized gains and losses relating to written options may arise from:

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in “realized gain (loss) on sale of investments” in the Statements of Operations.

### Foreign currency translation

Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the 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.

## 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 the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1-Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2-Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3-Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The Fund’s assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 2 for a discussion of the Fund’s policies

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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regarding this hierarchy. The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of June 30, 2011.

Financial Assets at fair value as at June 30, 2011				
	Level 1	Level 2	Level 3	Total
Equities - Long	\$ 121,716,386	\$ -	\$ -	\$ 121,716,386
Bonds	-	6,916,436	213,325	7,129,761
Warrants	54,000	-	384	54,384
	<u>\$ 121,770,386</u>	<u>\$ 6,916,436</u>	<u>\$ 213,709</u>	<u>\$ 128,900,531</u>

There were no transfers between levels during 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.

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

There were no transfers between levels during 2011.

The following is a reconciliation of Level 3 fair value measurements from December 31, 2010 to June 30, 2011:

	Fair value measurements using level 3 inputs	
	Warrants	Bonds- Long
<b>Balance at December 31, 2010</b>	\$ -	\$ 213,325
Net purchases and sales	-	-
Net transfers in (out)	384	-
Gains (Losses)		
Realized	-	-
Unrealized	-	-
<b>Balance at June 30, 2011</b>	<u>\$ 384</u>	<u>\$ 213,325</u>
Total change in unrealized loss during the period for assets held at June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The following is a reconciliation of Level 3 fair value measurements from December 31, 2009 to December 31, 2010:

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	<u>Fair value measurements using level 3 inputs</u>
	<u>Bonds- Long</u>
<b>Balance at December 31, 2009</b>	\$ 250,000
Net purchases and sales	-
Net transfers in (out)	-
Gains (Losses)	
Realized	-
Unrealized	(36,675)
<b>Balance at December 31, 2010</b>	<u>\$ 213,325</u>
Total change in unrealized loss during the period for assets held at December 31, 2010	<u>\$ (36,675)</u>

### Level 3 sensitivity analysis

The Fund applies judgment in determining unobservable inputs to calculate the fair value of Level 3 financial instruments of \$213,709 as of June 30, 2011 (December 31, 2010 - \$213,325). The unobservable inputs used in the valuation of these financial instruments primarily include key variables, current market conditions and recent financing by the company, if any. These securities are affected by market activity in their relevant sectors and therefore generally fluctuate similarly.

If relevant market-related inputs increased or decreased by 5% with all other variables remaining constant, net assets would have possibly increased or decreased by approximately \$10,185 (December 31, 2010 - \$ 10,666).

### 4. Unitholders' equity

Unitholders' equity includes amounts representing net fund unit subscriptions, undistributed net income, undistributed realized gains (losses) on sale of investments and unrealized appreciation (depreciation) in value of investments. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in the Financial Risk Management notes (Note 10), the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of units during the period:

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	2011			2010		
	Class A	Class B	Class F	Class A	Class B	Class F
Units - Beginning of period	5,056,305	2,663,044	2,988,542	4,988,847	2,732,776	3,035,501
Units issued	388,180	175,529	207,224	416,762	98,098	97,584
Units redeemed	(134,176)	(318,582)	(139,102)	(225,506)	(94,709)	(130,665)
Units - End of period	5,310,309	2,519,991	3,056,664	5,180,103	2,736,165	3,002,420

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 A: 1% per annum of the Net Asset Value of class A units of the Fund on the last business day of the preceding month.

Class B: 1.9% per annum of the Net Asset Value of class B units of the Fund on the last business day of the preceding month.

Class F: 1% per annum of the Net Asset Value of class F units of the Fund on the last business day of the preceding month.

#### b) *Performance fees*

The Fund also pays the Investment Manager an annual performance fee (the "performance fee") equal to 20% of the amount by which the percentage increase in Net Asset Value per Unit exceeds a threshold annualized increase of 5% of the Net asset value of such Units at the beginning of that fiscal period. The Performance Fee is accrued monthly and is payable for each calendar year. The Performance Fee is payable by the Fund within 10 business days from the year-end. Upon redemption of Units of a particular Class, the accrued portion of the Performance Fee allocated to the redeemed Units for that Class will be payable by the Fund within 10 business days of the month in which the Units were redeemed.

There were \$nil in performance fees incurred for the period ended June 30, 2011 (2010 - \$8,326), of which \$nil (December 31, 2010 - \$1,907,174) was outstanding at period end.

#### c) *Fees and expenses*

The Fund is responsible for the payment of all fees and expenses relating to its operations, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Investment Manager), record keeping and legal fees and expenses, custody and safekeeping charges.

# **Vertex Managed Value Portfolio**

## **Notes to Financial Statements**

**June 30, 2011 (unaudited)**

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### **6. Distribution of net investment income and capital gains**

Net investment income and net capital gains of the Fund are distributed to unitholders of record as of the close of business on the last valuation day in the year. All distributions are reinvested automatically in additional units of the Fund immediately following the valuation date.

### **7. Income taxes**

The Fund is a mutual fund trust as defined by the Income Tax Act. No provision for income taxes are included in the financial statements as the net income and net capital gains are distributed to the unitholders and immediately reinvested in the Fund. As of December 31, 2010, there were \$17,344,412 (2009 - \$12,365,993) of capital losses and non capital losses of \$469,059 (2009 - \$nil) to be carried forward. The capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future periods. Non capital losses can be carried forward for 20 years and will expire by 2030 if not utilized.

### **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 soft dollar commissions paid (2010 - \$8,883) 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 Statements of Operations of the Fund.

The Fund has entered into a securities lending program with its custodian, the RBC Dexia Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 100% of the assets of the Fund. The Fund receives collateral of at least 105% of the value of securities on loan. Collateral may comprise cash, shares, and obligations of or guaranteed by the Government of Canada or a province thereof, by the United States government or its agencies, or by other Organization for Economic Coordination & Development (OECD) member countries' governments.

As at 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, short-term receivables and payables. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Investment Manager maintains a risk management practice that includes quarterly monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The most important risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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(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 \$6,088,539(December 31, 2010 - \$6,635,619). Actual results may differ from this sensitivity analysis and those results could be material.

(b) *Interest rate risk*

As at June 30, 2011, 5.53% (December 31, 2010 – 6.49%) of the Funds' investment portfolio consists of interest bearing corporate bonds, as well as cash and cash equivalents. As a result, the Fund was subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows.

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

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## Notes to Financial Statements

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	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
<b>As at June 30, 2011</b>					
<b>Assets</b>					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 121,770,770	\$ 121,770,770
Bonds	-	5,137,344	1,992,417	-	7,129,761
Due from broker	8,444,902				8,444,902
Cash and cash equivalents	1,013,477	-	-	-	1,013,477
Accrued interest and dividends receivable	307,822	-	-	-	307,822
Subscriptions receivable	2,003,818	-	-	-	2,003,818
<b>Total Assets</b>	<b>11,770,019</b>	<b>5,137,344</b>	<b>1,992,417</b>	<b>121,770,770</b>	<b>140,670,550</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	16,073	-	-	-	16,073
Redemptions payable	1,478,973	-	-	-	1,478,973
<b>Total Liabilities</b>	<b>1,495,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,495,046</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 10,274,973</b>	<b>\$ 5,137,344</b>	<b>\$ 1,992,417</b>	<b>\$ 121,770,770</b>	<b>\$ 139,175,504</b>

	Less than 1 year	1 - 5 years	More than 5 years	Non Interest bearing	Total
<b>As at December 31, 2010</b>					
<b>Assets</b>					
Financial assets held for trading					
Equities	\$ -	\$ -	\$ -	\$ 132,712,380	\$ 132,712,380
Bonds	2,335,141	4,637,878	1,763,708	-	8,736,727
Cash and cash equivalents	448,818	-	-	-	448,818
Accrued interest and dividends receivable	-	-	-	199,854	199,854
Subscriptions receivable	-	-	-	1,090,913	1,090,913
<b>Total Assets</b>	<b>2,783,959</b>	<b>4,637,878</b>	<b>1,763,708</b>	<b>134,003,147</b>	<b>143,188,692</b>
<b>Liabilities</b>					
Accrued performance fees	-	-	-	1,907,174	1,907,174
Management fees payable	-	-	-	143,783	143,783
Accounts payable and accrued liabilities	-	-	-	70,857	70,857
Redemptions payable	-	-	-	891,966	891,966
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,013,780</b>	<b>3,013,780</b>
<b>Total Interest sensitivity gap</b>	<b>\$ 2,783,959</b>	<b>\$ 4,637,878</b>	<b>\$ 1,763,708</b>	<b>\$ 130,989,367</b>	<b>\$ 140,174,912</b>

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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At June 30, 2011, should interest rates have increased or decreased by 25 basis points with all other variables remaining constant, the decrease or increase in net assets for the period would amount to approximately \$49,597 (December 31, 2010 - \$51,957). Actual results may differ from this sensitivity analysis and those results could be material. The Fund's managers review the interest rate exposure on a regular basis.

(c) *Currency risk*

Currency risk is the risk that the value of investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's managers review the currency positions of the Fund on a regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

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

	June 30, 2011	December 31, 2010
<b>Currency</b>	<b>Exposure</b>	
U.S. Dollar	\$ 74,843,104	\$ 84,478,827

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 decrease or increase respectively in net assets would approximately amount to values \$3,742,155 (December 31, 2010 - \$4,223,941). Actual results may differ from this sensitivity analysis and those results could be material.

(d) *Credit risk*

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from bonds. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information.

The Fund invests in financial assets, which have an investment grade as rated primarily by Dominion Bond Rating Service and Standard & Poor's. Ratings for securities that subject the Fund to credit risk are noted below:

# Vertex Managed Value Portfolio

## Notes to Financial Statements

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<b>Portfolio by rating category</b>		
<b>Rating</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
A/A	0.06%	0.06%
BBB/Bbb	0.03%	0.02%
BB/Bb	0.00%	0.55%
B/B	2.92%	1.64%
CCC/Ccc	0.64%	1.58%
Unclassified	1.47%	2.38%
<b>Total</b>	<b>5.12%</b>	<b>6.23%</b>

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold/lent is only made once the broker has received payment. Payment is made on securities purchased/borrowed once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

*(e) Liquidity risk*

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units at the monthly valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. The Fund retains sufficient cash and cash equivalents to maintain liquidity. Liquidity risk is considered negligible

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

### 11. Exemption from Regulatory Filing

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Vertex One Asset Management Inc., as investment manager to the Fund, has provided notice to the securities regulatory authority that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Vertex One Asset Management Inc. will not be filing the annual financial statements for the Fund with the regulator.

**CERTIFICATE**

**This Offering Memorandum does not contain a misrepresentation.**

**Vertex Managed Value Portfolio**, by its  
Investment Manager, Vertex One Asset Management Inc.

DATED this 31st day of August, 2011.

*(signed) "John Thiessen"*  
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John Thiessen, Director

*(signed) "Jeffrey McCord"*  
\_\_\_\_\_  
Jeffrey McCord, Director

*(signed) "Matthew Wood"*  
\_\_\_\_\_  
Matthew Wood, Director