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VERTEX MANAGED VALUE PORTFOLIO

Second Quarter Report, 2009

Performance

Your fund remains steady as always with a return for the second quarter of 5.38%. A resounding characteristic of your Value Fund is it has never been clobbered in a major downdraft such as the tech crash of 2000/2001 or the financial and commodity crash of 2008. A brief review of our performance statistics shows the Fund to have delivered 6.43% annualized since inception almost 12 years ago compared with the TSX's return of 3.38% with a beta to the TSX of .34%, meaning we are about two thirds less risky! That's almost twice the return with less than half the risk. There are many funds that have spasmodic upward performance only to give it all up (and then some) in the next market downturn. We're not trying to be rock stars – instead, we realize our obligation to treat your savings very carefully.

The Economy

While the USA acknowledges flaws, writing down loans and assets and repairing its banking system, bad loans are piling up in China like doped up riders at the Tour de France - Google Fitch's latest report. I must confess, it creates quite a flummox in my brain to see relentless headlines, opinions and commentary focused on America's problems while every other nation in the world is printing money like it's going out of style as well. Meanwhile, China can do no wrong. This is eerily reminiscent of Japan 20 years ago. America is certainly a convenient distraction for global politicians who would rather their citizens look the other way while their own debt to GDP balloons, and deficits and unemployment grow. Debt to GDP in Japan is almost two times the level that prognosticators say will cause investors to stop lending to the USA and cause interest rates to skyrocket – this critical number is 100% debt to GDP. At close to 200% debt to GDP, Japan's ten year bond yields a grand 1.28%. Japan is far from experiencing skyrocketing interest rates and inflation. Myth busting is really fun isn't it? The key is for a nation to grow its earnings (GDP) faster than its debt and that, of course, is impossible in a recession where one's income is declining – the very definition of a recession. Notwithstanding my optimism, the current path towards European nanny state is not helping the cause! I'm not a fan of debt and do believe recent spending is out of control, but feel compelled to put things into perspective amongst some really tired rhetoric.

That rather long winded paragraph is my way of saying our US dollar exposure is not a major concern. You see the headlines as do I and this tremendous bias against the USD is priced into today's exchange rates – thus the USD is likely to hold steady or rise on a lightening up of this colossal negative sentiment, or a realization that other currencies aren't so rosy either or oil falls from its lofty price. Interestingly, for the last five years in aggregate, the USD/CAD currency pair has traded in the same range resulting in zero affect on your portfolio.

The Portfolio

Although stock prices are not reflecting some very good news in our property and casualty portfolio, second quarter earnings reports should prove very positive. There have been few events, underwriting is strong and investment loses for some firms will have turned into gains. It is likely all of our companies in this sector will have book value gains in the 10% plus range. It's only a wild guess but reviewing Fairfax's investment portfolio it looks to me as though their second quarter book value growth will be higher than $50 a share (possibly closer to $75) - an increase of over 15%.

On any share price weakness during the quarter, additions were made to our forest products investments. Renewed speculation in the energy sector lifted our Loonie yet again, resulting in an opportunity to pick up more inexpensive shares. Forest stocks tend to travel in the opposite direction of our dollar. I do not expect this oil price rise to continue. With demand at historical lows and supplies piling up everywhere, oil is simply defying the laws of economics. Natural gas depicts a more valid portrait of energy. Trading at $3.20, down from a high of $12 despite so much speculation in the natural gas ETF, they had to temporarily cease trading last week to expand the number of shares allowed under corporate charter! I can only image how low natural gas might be if there were no ETF to inflate prices. Oil speculation is even more rampant. Oil – it's not a bird, it's not a plane…..it's just a commodity. The last oil bull market (smaller than our most recent one) ended in a 20 year bear market commingled with 20 years of economic growth, contrary to popular belief that oil prices should shoot back up with an improved global economy. The Charter of Rights and Freedoms does not guarantee oil companies' profits by putting a floor under oil prices as oil investors seem to believe - tell our forest product CEOs that lumber cannot fall below its marginal cost of production! If supply is up and demand is down, prices simply fall until all marginal producers are out of business. Even the shrewdest operators lose money at the bottom of a commodity cycle. It is under this back drop that prospects for our Canadian forest products portfolio will improve. With stock prices well below book value and balance sheets under control, it will only take a marginal improvement in conditions for these stocks to perform.

The balance of our portfolio has remained as it was at quarter end with both pharma and banking stocks performing well. With this I will sign off. Please call the writer if you have any questions or concerns, or better still, just enjoy your summer and call me in September!

PERFORMANCE

Net Asset Value	3 Mos.	1 Yr.	2 Yrs.*	3 Yrs.*	5 Yrs.*	Since Inception*
	Rate of Return (Class A)					
$11.4614	**5.38%**	**1.07%**	**-9.24%**	**-0.87%**	**1.04%**	**6.43%**

*Annualized

Past performance is not indicative of future results
All data are based on the Class A unit values

THE PORTFOLIO

The top 20 holdings in the Vertex Managed Value Portfolio at June 30th, 2009 are:

Fairfax Financial Holdings	Pfizer Inc.	West Fraser Timber Co.
Partner Re Ltd.	Ingersoll-Rand Co.	XL Capital Ltd.
Platinum Underwriters Holdings	Timberwest Forest Corp.	Genworth Financial Inc.
Montpelier Re Holdings	Odyssey Re Holdings	Biovail
Johnson & Johnson	Genworth MI Canada	Lululemon Athletica
Mattel Inc.	Internat'l Forest Products	Norbord Inc.
Walt Disney Co.	Schering-Plough	

ASSET MIX

Cash	0%	Canadian Equities	22%
Fixed Income		Foreign Equities	68%
Canadian	5%		
Foreign	5%		

Vertex One Asset Management