VERTEX BALANCED FUND

First Quarter Report, 2003

Your fund performed about as well as the Iraqi air force last quarter. Actually that's not true – it was worse. The Iraqi air force didn't fly but it didn't lose any planes either. Your fund lost just over 7%. Not to worry though, plenty of negative three-month periods have been experienced in past reporting. For the three months ended August 31, 1998, return was negative 10%; for Sept 98, negative 8.5%; for Mar 31 2001, negative 6.7%; for July, August and September 2002, negative 6.7%, 6.6% and 7.6% respectively, yet the fund is up 6.9% annualized since inception. This was during a very poor period with the average balanced fund barely eking out 1%.

Paying attention to current events is about as useful to an investment program as how good you looked at your high school prom was to completing your masters degree. What's worthy of attention is how the majority of investors spend most of their energy on current events. For example, the average holding period for a mutual fund is now 14 months. Turnover of the average mutual fund portfolio is over 100% a year. This means every 14 months mutual fund investors turn over their holdings in mutual funds whose portfolio managers, in turn, turn over their portfolios completely every year. It is apparent that using the term investor to describe the majority of market participants today is degrading to the English language. The appropriate term for this type of behavior is speculation and rampant at that. Research indicates that the vast majority of mutual funds have had close to double digit returns over ten year periods. Contrast this with the fact that 75% of mutual fund investors lost money in those same funds!

Let's leave the speculating for those that make nickels in the short term but lose their savings in the long term. Let's talk about investing. So we've had three down years in world stock markets. Big deal. Three years is a non-event in an investment plan and no… it's not different this time. It always looks different when stocks are down. The last time I looked, the businesses in your portfolio were doing things like raising dividends and raising prices. CI Funds, CIBC, Bank of Montreal, Bank of Nova Scotia and Seamark Asset Management all raised their dividends in the last 12 months. Odyssey Re, ACE Corporation and Partner Reinsurance have been raising prices. Mattel's profits have been rising steadily over the last three years. Safeway and Kroger have been buying a boatload of their own stock at fire sale prices. These are all positives yet they fail to make the headlines. To be a successful investor, one must be able to separate quotations from value. Stock market quotations have been bouncing all over the place resulting from the phenomena mentioned in paragraph two. Interestingly, people are redeeming mutual funds and selling stocks when they are at six year lows, using the proceeds to buy real estate at an all time high. This is a prudent and smart thing to do only if your long-term financial goal is to lose money!

The real dangers are always those that we don't see. A latent danger to the Canadian investor is the "Income Fund". The ultimate in smoke and mirrors magic tricks, most are simply overpriced equities disguised as some sort of fixed income vehicle. If there was ever a prediction your penman will make, it is that there will be decimation in this "sector" (quotation marks purely for satirical purposes). There has been a proliferation of these "Weapons of Wealth Destruction" into Canadian investment fabric. It boggles the mind – really, truly boggles the mind. Five-year government guaranteed bonds yield 4.4%. Income Trusts yield over 10%. Hello? Take a poor quality company, better still some oil wells (there's a no risk business!), sprinkle a little magic dust on it, and poof – you a have a stable low risk business with an extremely high yield priced at twice what it traded for as an equity….badabing badaboom….an income trust. Just as the tech boom was very good for insiders and corporate finance departments, and very bad for investors – income trusts will be the same. Here's a good title for the post mortem to be published sometime in 2004 or 2005…."The Great Canadian Income Fraud".

Your fund remains at 70% equities and 30% long-term government guaranteed bonds. Expect to see few changes in the next couple of years. Dividend yields are high and equity prices are low. There is no better place to have your money right now than in the Vertex Balanced fund. Please give us a call with any questions or concerns. We would love to hear from you.

PERFORMANCE

The Vertex Balanced Fund returned -8.90% for the year ended March 31, 2003.

	Rate of Return						
Net Asset Value	**1 Mo.**	**3 Mos.**	**6 Mos.**	**1 Yr**	**2 Yrs***	**3 Yrs***	**4 Yrs***
$10.2516	**-2.59%**	**-7.15%**	**-1.15%**	**-8.90%**	**0.38%**	**2.90%**	**8.21%**

*Annualized

THE PORTFOLIO

The top 20 holdings in the Vertex Balanced Fund at March 31st were as follows:

CIBC	CTS Corp.	Canadian Western Bank
Mattel Inc.	Boeing Co.	Kroger Co.
Bank of Montreal	Nexfor Inc.	Emera Inc.
ACE Ltd.	Prudential Financial Inc.	Transocean Inc.
Bank of Nova Scotia	Safeway Inc.	GSI Lumonics Inc.
Fairfax Financial Holdings	Odyssey Re Holdings	Sun Life Financial
CI Fund Management	Honeywell Int'l.	

All bonds are government guaranteed

Asset Mix

Cash	0%	Canadian Equities	44%
Fixed Income	30%	Foreign Equities	26%