

VERTEX FUND

Second Quarter Report, 2004

Just Say NO!

Being a catalyst investor sometimes brings rewards that one never expects. For most of the month of March the Vertex Fund was in negative territory until the last day of March when our Intertan holding (Radio Shack Canada) which, was going through a unit trust conversion received an unsolicited bid from Circuit City for \$14.00 a share. Wow, happiness is knowing that we could keep our streak alive of delivering 12 straight months of absolute performance. We strive for absolute investment performance but with upside you must be willing to take downside as well. One year negative performance numbers will appear again in the future like the past so be prepared to invest with us for the long term because in the short term we need to say "NO" more often to things that distract us.

You have said "YES" to Vertex One Asset Management but what you really pay us for is to say "NO". We say no all day and every day so we can avoid distractions. We all choose the stocks we want to buy, the food we wish to consume, the friends we want to spend time with and with each choice comes a decision tree process of what an effective choice will be to maximize our happiness, by minimizing outside influences that don't add value (return or happiness); and staying focused allows us to live better lives or be better investors. Every day we see a new stock, a new investment product or a new idea or whatever. If only we had a nickel for every time we heard about a great idea we would have a billion dollars under management. So many potential new investors that walk through our doors seem to hear the same thing, as they own a plethora of different mutual funds that seemed like a great investment idea, or they were told to add another fund to help diversify risk. In many instances they will own funds in which one fund manager is selling Nortel and the other one is buying it, net - net they are no better off. Our number one job is to diversify and try to capture the best risk-reward trade off in our funds so you don't have to do our job. Us saying "No" helps you avoid saying Yes.

The Canadian investment world is going through an inflection point with two worlds, either a unit trust or a common share. After the recent Canadian budget there is a bit of breathing room on these unit trusts as the Government has stated these investment vehicles might one day become taxable but for now they will remain untaxed. In the interim it has been our luck to invest in companies that are going through the trust conversion process and receive a commensurate increase in share price. Pension funds which are now mandated to have no more than one percent of assets in trusts are net sellers of common shares after companies announce that they are converting into a trust. So now we say YES all day long to trust conversions.

A large holding in the fund, Manitoba Telecom, recently had a shareholder proposal to convert to a trust but in the interim management decided to buy the old ATT Canada (now called Allstream) so they could attain over a billion dollars in tax losses. Much like Intertan, we are not too fussy about the need to convert to a trust, we just like to see a catalyst from management to create value. We hope to see similar things at Penn West Petroleum, Stratos Global, CCL Industries, Precision Drilling etc. etc., in the coming year. It truly is a changing of the tide in Canada and having a multi strategy fund allows us now to invest in ideas that we did not even think of six years ago when we launched this fund. In the future we trust.

Vertex One Asset Management

PERFORMANCE

The Vertex Fund returned 34.24% for the year ended June 30, 2004.

Net Asset Value	Rate of Return					
	<u>3 Mos.</u>	<u>1 Yr.</u>	<u>2 Yrs.*</u>	<u>3 Yrs.*</u>	<u>4 Yrs.*</u>	<u>5 Yrs.*</u>
\$36.5069	-4.74%	34.24%	18.18%	15.52%	14.45%	23.26%