VERTEX FUND

Year End Report, 2007

As we look back on last year we have a lot of things to be thankful for. I am thankful for having my first lovely daughter born on the true 9/11, (November 9 if you are American). Vertex One turned ten years young and our consistent performance and great clients helped us reach another milestone this year - one billion dollars in assets under management. This year we gave our unit holders a return of 10% which was well above most major global indices.

Every morning when the gazelle wakes up in the African Sahara it knows it needs to outrun the fastest lion, and when the lion wakes up it knows that today it must run faster than the slowest gazelle if it is going to have a meal. What's the moral of the story? Well, we wake up in the morning and know we have to run.

In this market we have been running as fast as we can away from the slow moving train wreck of North American financials. US investment banks have so levered their balance sheets that their only hope of rescue was to get Sovereign State funds to invest in them. In our opinion these international investors have done less due diligence than a drunken couch potato grabbing his 5th beer while watching an NFL game. If it looks good they'll try it. The decline of US investment banks has foretold the growth of the rest of the world where today over half of the top 10 companies in the world are Chinese. Petro-China was the first company to reach a trillion dollar market capitalization, and once you add Russian companies there are only three US companies left in the top 10. Not that these international companies deserve to be in the top 10 based on sales or profitability, but if you have the market capitalization it allows you to do deals and you can see why the whole world wants to invest internationally. This in turn has served our holdings in AGF Management well as their international fund sales have taken off.

These same investment banks have stuffed the money market funds of banks and money managers with crappy ABCP paper. As we mentioned in our last quarterly letter this resulted in many money market funds having to get cash injections from their parent companies so as not to have their funds lose capital for what they have sold as their safest product. All this is going on while the central banks around the world are printing money faster than a gazelle. The European central bankers added 500 billion dollars in just two days. The world is awash in cash and it can't prevent the current liquidity crisis. Inflation is around the corner due to central bankers and hence why precious metals are starting to appreciate. Upward movement in the price of gold predicts inflation, as any central banker will tell you from any G8 finance manual. With the US heading into a recession it must mean that stagflation is around the corner, a word that hasn't been uttered since the 1980's, which coincidentally was the last time most Canadian banks were in trouble and the Bank of Commerce almost collapsed due to Dome Petroleum. This time it's the same bank with different problems. Not that I am rating them ahead of the Bank of Montreal which has over $20 billion in off balance sheet SIVs that have yet to come home to roost.

US C.P.I. is now at 4.3% and since bonds yield the same they must now collapse or inflation will come down by a serious amount. This is why we have had a 5% weight in silver for over a year as its industrial uses start to increase and as people flock to the safety of metals they trust when they can't trust their bankers anymore. Canadian banks have taken all their profits from their oligopoly and invested in US assets with no bid and hedged it with counter parties that look to be insolvent for credit default swaps. Today the markets have underwritten 46 trillion dollars of these babies. And nobody knows if the other party can pay up if need be. This disaster could make the sub-prime mess seem like kindergarten. Investment bankers are doing what they do best and that's taking a button and selling it as a suit. As insurance we have 20% of the portfolio invested in precious metals including our silver holding.

Now that I have a daughter I am looking forward to watching a little kid's soccer game where the object of the game is to keep the goals up so everyone has a great time. US banks play the same game which is to keep assets up so they can keep their bonuses up. We are still in the early days of the recession and we have shorted US housing stocks and Washington Mutual which for the first time looks like insolvency is the only answer.

Merger Arbitrage has stayed at 50% of the portfolio as we have more confidence in corporate deals today than ever before.

Many Happy Returns.

PERFORMANCE

The Vertex Fund (Class A) returned 9.99% for the year ended December 31, 2007.

	Rate of Return (Class A)					
Net Asset Value	**3 Mos.**	**1 Yr.**	**2 Yrs.***	**3 Yrs.***	**5 Yrs.***	**Since Inception***
$55.9259**	**-0.12%**	**9.99%**	**12.33%**	**17.06%**	**23.48%**	**22.59%**

*Annualized
**Post Distribution

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

Vertex One Asset Management