VERTEX FUND

First Quarter Report, 2008

In this last quarter the stock market experienced one of the worst returns for equity funds in years and our net long exposure was tough as your fund had a drawdown of just over 4%. When a financial crisis hits like the failure of the 5th largest investment bank in the US the first thing to run for cover is liquidity. A lack of liquidity caused a multi year bear market in technology stocks and is wrecking financial stocks now. It caused an unprecedented move for the Federal Reserve to lend money to investment banks and step in to save Bear Stearns due to counterparty risk. Investments that were considered safest have been morphed by investment bankers into derivatives that have no liquidity in SIV's, ABCP and Auction Rate Securities which were held by US money market funds, pension funds, etc. The Federal Reserve has delivered the playbook in a convincing fashion to backstop the financial system which is good news for Canadian banks that may come under similar pressure in the future.

Each bail out means the money printing presses are increasing the supply of money which in turn increases inflation whilst housing prices collapse. The Fed has no choice but to reflate the economy with negative real interest rates. Inflation is now running at over 8% in China and food stuffs are running at 40% higher prices caused by the doubling in wheat and rice prices over the past year. We have been big believers in real assets over those financial assets as we have watched oil and gold double as a precursor for inflation, however some of this price rise has been overstated as these assets are priced in US dollars. Currency pegged to the US dollar for Hong Kong, China and some Middle Eastern countries is causing these nations to have imported inflation.

We have owned the silver ETF since its inception years ago as we see increased demand for silver's sterilizing properties. Silver is added to washing machines and synthetic clothes which in turn adds to investment demand - our favorite. This helped our returns in February and subtracted from our returns in March. Gold is the original real asset and we have built a position in New Gold Inc. as well as the two companies it is acquiring - Metallica Resources and Peak Gold. Seymour Schulich has recently become an investor in these companies as well as a director of New Gold. This three way merger will instantly build a new medium tier producer with the Warren Buffett of Canada on board. We have profited handsomely from following his advice in Canadian Oil Sands and the Oil Sands Split Trust.

As an aside, we highly recommend reading Seymour Schulich's book "Getting Smarter: Life and Business Lessons". His 20 year run in oil and gold stocks is truly amazing and his portfolio returns have generated the best track records in Canada. If his success is half of what he created in Franco Nevada we will be well served.

Oil on the other hand is rising as commentators blame speculators for the rising price. We prefer to follow the logic of Warren Buffett who states the United States currently has 500,000 producing oil wells with an average production rate of a measly 11 barrels per well. Oil production peaked over 20 years ago in America and last year saw declines in Russia, Australia and Mexico. Even the Saudis recently drilled a bunch of dusters which they had thought would be good as gold. As the world population has doubled in my lifetime from 3 billion to 6.5 billion people, our current world production rate of 85m barrels of oil a day will not support a globe that builds a new car every second and contains nations like China, Russia and India all striving for a North American lifestyle. America with 300 million people consumes 20% of the world's oil production. Goldman Sachs recently raised their oil price targets that call for oil with the potential to spike to $200 a barrel. Their last call years ago said that oil could spike to $100 and was originally held in disbelief.

In this context we have built a position in Nexen Oil and Gas that we believe is worth at least $45 per share on a break up. The share price has been held down by Ontario Teachers' Pension Fund reducing their holdings to pay for their private transaction in BCE which coincidently is our largest holding. Consider us the Ontario Teachers' Contrarian Fund.

On the merger front, an 86-page report was recently prepared by Secor Consulting for Canada's federally appointed Competition Policy Review Panel, which concludes Canada is the easiest country in the world for foreigners to take over domestic companies. This did not help our returns this quarter as we had four deals (Restoration Hardware, Navteq, BCE and Dundee Wealth) either collapse or widen in spread. On average we may have up to four deals fail in a year but we have never seen it happen all in a 90 day period. Hopefully our average batting record will stay intact this year as spreads today are some of the best we have seen.

PERFORMANCE

The Vertex Fund (Class A) returned -1.86% for the year ended March 31, 2008.

	Rate of Return (Class A)					
Net Asset Value	**3 Mos.**	**1 Yr.**	**2 Yrs.***	**3 Yrs.***	**5 Yrs.***	**Since Inception***
$53.6799	**-4.02%**	**-1.86%**	**4.99%**	**13.34%**	**22.65%**	**21.49%**

*Annualized

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

Vertex One Asset Management