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VERTEX FUND

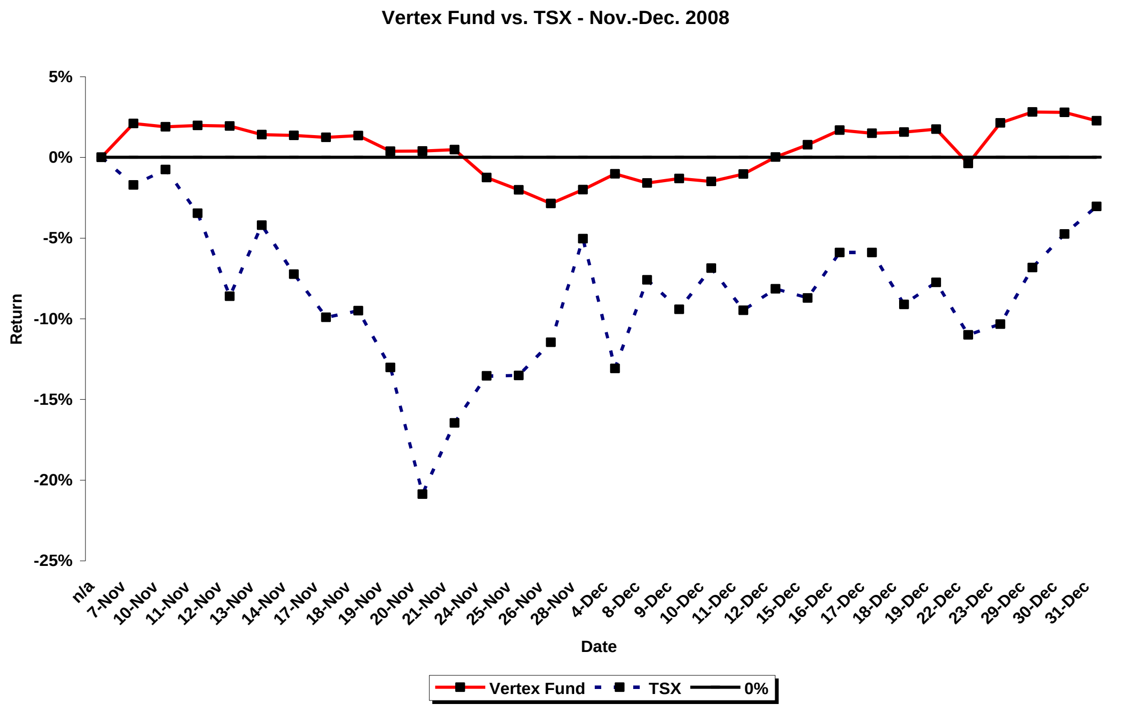
Fourth Quarter Report, 2008

Annus Horribilis

To quote Queen Elizabeth II, 2008 was an "Annus Horribilis".

2008 will go down as the worst year for equities in our lifetime with almost all the damage occurring in September and October. Investor panic peaked in October with redemptions in North America reaching over $80 billion. Canadian fund redemptions hit over $8 billion in October alone which was four times the highest level recorded in Canada during the last bear market.

As stock markets in every country around the world declined by 40% to 50% in 2008 it meant that this was not going to be your average bear market. October ended up being the most difficult month we have ever experienced in money management and unlike our strategy in previous market sell offs, we decided to reduce our equity exposure to minimal levels. Our correlation to the TSX which was quite high during the sell off, decoupled in November and December as we changed our focus in October from event driven equity ideas to Merger Arbitrage. The following graph shows how the Vertex Fund currently has little correlation to the Toronto Stock Exchange, much like the previous bear market in 2000. As long as the bear market continues, Merger Arbitrage will offer us positive returns versus any other asset class regardless of overall market returns.



The panic sales of October which traditionally signal a market bottom meant that on a risk adjusted basis Merger Arbitrage offered higher returns than being net long. Merger deals offered the highest returns since 1998 and at year end over 70% of the portfolio was in M&A. Our favorite deals were focused in:

Financials:	Merrill Lynch acquired by Bank of America Wachovia acquired by Wells Fargo
Oil and Gas:	Grey Wolf being acquired by Precision Drilling Tanganyika Oil and Gas acquired by the Sinopec
Health Care:	Alpharma acquired by King Pharmaceuticals Barr Pharmaceuticals acquired by Teva Pharmaceuticals

Financial companies and Health Care companies have had the easiest time accessing the capital markets or have had the balance sheets to pay for acquisitions, so it is no coincidence that the first two deals announced in 2009 are in health care and financial services with double digit returns on an annualized basis.

Oddly enough Warren Buffett helped set off a collapse in bond prices with his purchases in GE and Goldman Sachs and with his direct purchase of preferred shares yielding 10% or over 13% on an after tax adjusted basis. This new yield was a shock to investors who realized the new cost of capital for companies had risen to sky scraper heights. The yield curve steepened as investors began panic selling most fixed income investments. We began buying bonds (as for the first time in memory all had double digit yields with maturities less than three months), convertible bonds and some distressed debt. Liquidity is finally back to North American markets as the two year default curve is back to levels it was prior to the recent sell-off giving investors the all clear sign in credit. This chart signals the trust that corporations have in terms of lending costs between companies. The higher the number the more stress in the markets. Today's number signals that the actions from the Federal Reserve are working and that credit is flowing again.

Graph courtesy of Bloomberg Finance L.P.

We now believe that returns available going forward are the best we have seen in over a decade which should make 2009 a year we won't want to forget.

PERFORMANCE

The Vertex Fund (Class A) returned -40.25% for the year ended December 31, 2008.

	Rate of Return (Class A)					
Net Asset Value	**3 Mos.**	**1 Yr.**	**2 Yrs.***	**3 Yrs.***	**5 Yrs.***	**Since Inception***
$33.4156**	**-19.83%**	**-40.25%**	**-18.93%**	**-8.99%**	**2.87%**	**14.13%**

*Annualized
**No Distribution

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

Vertex One Asset Management