VERTEX ONE
ASSET MANAGEMENT INC.

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VERTEX FUND

Second Quarter of a Better Year 2009

The Vertex Fund had its best quarter since the first quarter of 2000 - rising over 25%.

Investors have been struggling to find good investment opportunities as witnessed by the growth of ETFs (exchange traded funds) in every investment field. The fact that people are confused is seen in the growth of levered ETFs (whether bull or bear) which have shown over the long term to lose investors in both up and down markets. ETFs, in which daily rebalancing whittles away any chance of compounding returns, have become a new investment bubble, with many of them levered (over 200%).

On the other hand, we have seen the best opportunities in a decade in the fixed income markets. When we employ a dollar of capital in Mergers and Acquisitions, it's about an annualized rate of return that we can expect to achieve. Recently we have been reducing our M&A weight in favour of bonds that we believe have a higher rate of return to M&As with an equivalent risk weighting.

Think:

FIXED INCOME YIELDS > MERGERS & ACQUISITIONS RETURNS

Convertible bonds, which offer us the upside if capital markets improve, sold off so much last year that our purchase prices allowed us to pick up yields over traditional M&A yields.

Think:

CONVERTIBLE BOND YIELDS > MERGERS & ACQUISITIONS RETURNS

Convertible bonds now represent over 10% of the portfolio, all with double digit yields to maturity. We had also bought a 10% weight in many oil and gas producer bonds over the last quarter (Penn West and Advantage Energy), but their yields are now single digit due to increased prices in their respective bonds, so we have been selling these to move into double digit yields in convertibles and financial hybrids.

Yields look so attractive to us that we have approximately 50% of the Fund placed in high yielding instruments. Of most interesting note are financial hybrids. We have bought these high yield instruments in GE, Great West Life, TD, Wells Fargo, Lloyds and Barclays which currently represent 15% of the portfolio.

These instruments were primarily bought by insurance companies in years past, who, like most financial companies suffered duress in 2008 and had few sources of liquidity, and thus had to sell them. When yields hit over 20% we became interested as we could lock in M&A–equivalent yields for a much longer time period. We also get inflation protection as a free call option as many of these instruments have a fixed coupon that switches to a floating coupon at a rate usually paying 200 basis points over LIBOR (London Interbank Offered Rate - think of it as a prime rate in Canada). If inflation does come back (given that we are printing money at the rate of the Weimar Republic) these Hybrids will be very fashionable to own, unlike during the past 12 months where is has been fashionable to sell them at any cost.

TD Northgroup hybrids represent the best example of this as they, along with the other Canadian banks, have raised over $18 billion in new capital through new preferreds yielding 6.5%. And Ottawa keeps saying Canadian banks have avoided the credit crunch. These instruments don't make any financial sense to us as we can buy a TD subsidiary in the US with yields of over 20% (think 20% > 6.5%).

Most of the opportunities for yield have presented themselves in the US so we currently have 75% of the portfolio in the US versus 25% in Canada.

PERFORMANCE

The Vertex Fund (Class A) returned -24.50% for the year ended June 30, 2009.

	Rate of Return (Class A)					
Net Asset Value	**3 Mos.**	**YTD**	**1 Yr.**	**3 Yrs.***	**5 Yrs.***	**Since Inception***
$45.9260	**26.92%**	**37.44%**	**-24.50%**	**0.69%**	**9.24%**	**17.31%**

*Annualized

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

Vertex One Asset Management