VERTEX BALANCED FUND

Second Quarter Report, 2006

In our year-end report I highlighted all the reasons why an investor might want to purchase units of the Vertex Balanced Fund. For the record, your fund manager has put his money where his mouth is as the saying goes and has purchased as many units as financially possible and then some. I am excited about the potential returns from our portfolio of companies and can sleep comfortably knowing the Balanced Fund holds only stocks where the risks are well known (and overestimated), thus priced in and no one is excited about their prospects, (underestimated potential). Owning stocks with these characteristics is what carried us through the market correction of 2000 through 2002 unscathed and with a three year annualized rate of return of 8.67%.

In real estate it is said to be a buyers' market when lots of property is for sale and there are few buyers. It is said to be a sellers' market when there are multiple bidders and fewer sellers. I've never been in a bidding war for a property as it has seemed common sense that this is a poor time to purchase. It also seems to me that common sense would suggest a good time to sell property is when there is a bidding war – a multiple bidder situation. Further, common sense suggests this should apply equally to shares of common stocks. Although your fund is down on a unit value basis year to date, your portfolio has never looked better. On any valuation metric we use; price to book, price to earnings, and dividend yield, in the past six months we've been able to improve your potential for gains, reduce risk and increase overall portfolio yield everywhere by purchasing stocks currently in a buyers' market and selling those that were in a sellers' market.

A monumental challenge in writing these Balanced Fund letters has been to say the same thing using different words for thirty two consecutive quarters. Really any one of the thirty two letters could be used as surrogate for this one. The only real difference is which investment fad is in vogue and how we're avoiding it and which firms are out of favor and thus have become attractive. Fortunately for us during each investment fad and frenzy, investors sell what they perceive to be low growth, boring stocks in order to raise capital for their new shiny exciting stocks. This selling renders the inexpensive stocks even less expensive as the selling pressure pushes prices even lower. Today it is energy and materials being purchased at the expense of everything else. Great for us cause we get to accumulate the stocks being sold (buyers market), collect their great dividends and wait for the inevitable to occur – that is the disappointment when all those great expectations from those shiny new stocks fail to be met. More important for us Balanced Fund unit holders is when refugees from the latest investment fad try to find a new home for what's left of their savings. They'll be looking for anything but what lost them so much money and we'll be there to sell them back their stocks at much higher prices than they sold them to us during the buyers' market.

THE PORTFOLIO

The holdings in the Vertex Balanced Fund at June 30th, 2006 include:

BCE Inc.	CTS Corp.	Bristol-Myers Squibb
Partner Re	Bank of America	Vishay Intertech Inc.
Fairfax Financial Holdings	Harleysville Group	XL Capital Ltd.
Mattel Inc.	Kemet Corp.	Intel Corp.
Montpelier Re	Seamark Asset Mgmt.	IPC Holdings Ltd.
Odyssey Re	Sceptre Asset Mgmt.	Merck & Co.
Angiotech Pharmaceuticals	QLT. Inc.	Level 3 Comm.

ASSET MIX

Cash	0%	Canadian Equities	25%
Fixed Income	25%	Foreign Equities	50%

Vertex One Asset Management

PERFORMANCE

Net Asset Value	**Rate of Return (Class A)**					
	3 Mos.	**1 Yr.**	**2 Yrs.***	**3 Yrs.***	**5 Yrs.***	**7 Yrs.***
$13.2104	**-4.79%**	**-0.91%**	**3.99%**	**8.21%**	**8.48%**	**10.03%**

*Annualized

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