VERTEX MANAGED VALUE PORTFOLIO

Third Quarter Report, 2007

Well that was the worst quarter ever for your fund in its almost 10 year history. There's nothing positive that can be said about it - there's no silver lining - it was just dismal. US financial stocks (our largest holding), became less expensive than they already were. The Canadian dollar appreciated dramatically against the American dollar, thus, by default, our 55% position in USD denominated stocks and bonds suffered a reduction in value when translated back to Canadian. Finally, to top it off, with all the bad news around American mortgages and housing, as mentioned in your second quarter report, we had commenced making a small investment in a few mortgage lenders and one home builder. This investment turned out to be two months early. In our experience, being a little early into an investment isn't a problem providing one pays an appropriate discount to earnings and book value. This time, however, there isn't a better way to put it than to say these investments performed very poorly as American housing deteriorated further. Although many of these stocks have rebounded significantly from their lows around mid August, all are well below June 30th values. As well, where in my assessment great risk is concentrated, commodities and commodity stocks were benign and the best place to be yet again. I hate to use clichés but sometimes it's appropriate so I'll apologize in advance - essentially, your fund hit "the perfect storm" last quarter and to a larger extent this year.

Many are tempted to switch investment strategy (me too - tempted that is), when things don't seem to be going well. It's imperative to continue to execute the same strategy though. How many managers were tempted to ditch their value approaches and buy tech stocks in 1999? Many! It would have been catastrophic for any that actually capitulated as subsequently, these managers and their clients were rewarded handsomely for sticking to their discipline and those who did not were…..not.

Enough of the past - it's how your fund is structured for the future that's important and what's important is it's pretty much the same as it was June 30th. As I'm writing this, our Canadian dollar is now worth two cents more than an American dollar. This beyond parity value is now bought and paid for, meaning it's imbedded in your MVP unit value. It's possible that just maybe this CAD rally might come to an end. I know it's out of bounds to say this being a Canadian and all but it is a real possibility. All it would take would be for commodity prices to drop. Commodity prices drop? Nah impossible - it's never happened before. Oh wait a minute…..it always happens - certainly the timing of a cyclical peak is unpredictable but with certainty it will happen. It may be something entirely out of the blue - something unpredictable. All I'll say is this - our rationale for ownership of these USD denominated companies is they are comparatively inexpensive and largely global operators taking in global earnings - that's loonies, euros and sterling among others and what is lost in short term currency translation is gained back in higher earnings after these firms convert high foreign currencies back to US dollars. In short, where we instantly lose on foreign currency translation in the NAV of your fund, companies in our portfolio gain back over time in their respective income statements.

Your largest holding is in property and casualty insurance companies. This investment was made post hurricane Katrina but has not yet really paid off. These firms trade close to book value; many have little to no debt, are buying back stock, growing book value and have price to earnings ratios in single digits. These firms are operating their businesses superbly after many very difficult years. As a shareholder we benefit from their stock repurchases, dividends and investment in growth and a considerable margin of safety contrasted with a stock market trading well over two times book value and high double digit price earnings multiples. In simple terms, our stocks are trading at half or less the price of the overall stock market. Some of our other holdings include Johnson and Johnson, Pfizer and Merck. All have excellent balance sheets, meaning virtually no debt, high earnings and low price to earnings. Also Mattel, another portfolio company has announced yet another share buyback of $500 million - yes I know about the lead paint already. Mattel is an excellent franchise and very inexpensive.

Last quarter was last quarter. It was one of many quarters we have had and will have going forward. Investment is a long term undertaking. I am sure that five years from now this quarter will be long forgotten as time and patience - not timing and impatience - make for excellent lifetime investment results.

PERFORMANCE

	Rate of Return (Class A)					
Net Asset Value	3 Mos.	1 Yr.	2 Yrs.*	3 Yrs.*	5 Yrs.*	Since Inception*
$13.1976	**-10.66%**	**-3.83%**	**1.43%**	**5.53%**	**9.21%**	**8.58%**

*Annualized

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

THE PORTFOLIO

The holdings in the Vertex Managed Value Portfolio at **September 30, 2007** include:

Fairfax Financial Holdings	Johnson & Johnson	Pfizer Inc.
Montpelier Re	Angiotech Parm.	QLT Inc.
BCE Inc.	Merck & Co.	Partner Re
True Religion Apparel	Mattel Inc.	Seamark Asset Mgmt.
WP Stewart & Co.	Level 3 Comm.	Sceptre Asset Mgmt. Build-
A-BearWorkshop Inc.	IPC Holdings Ltd.	Odyssey Re
Brookfield Homes Corp		

ASSET MIX

Cash	0%	Canadian Equities	29%
Fixed Income		Foreign Equities	46%
Canadian	17%		
Foreign	8%		