

THE VERTEX FUND

First Quarter Report, 2011

“Thank You Facebook!” - Graffiti wall in Tunisia



It's truly amazing that one fruit vendor in Tunisia set himself ablaze and started a revolution after having his weight scales confiscated. One man *can* make a difference in the world today.

I can't recall more news events happening over a 90 day period in my lifetime. Earthquake, Tsunami, Nuclear accident, War (also known as No Fly Zone) and more revolutions and social unrest than we have ink to print with. It's a time when the key aspect in portfolio management will be how you can safeguard your money as opposed to

how much money have you made for me today. Silver as a store of value contributed the most performance to our portfolio over the quarter. We think we are now at a tipping point for Asian silver demand going forward in these uncertain times.

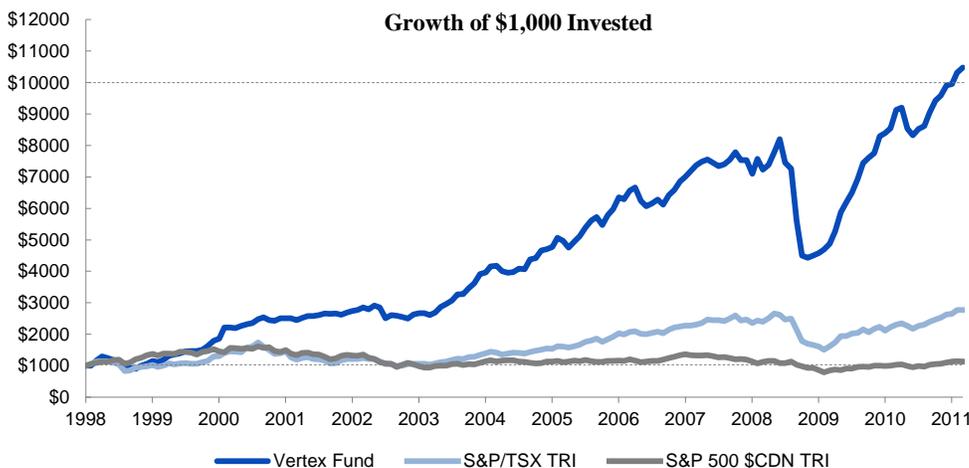
British Columbia will soon be going to the polls to vote on the Harmonized Sales Tax (HST). Consumption taxes are much better for an economy than personal taxes, no doubt about it. However, charging a consumption tax on investment fund fees is a tax on one's savings and makes no sense to us. For that reason alone, you can count on my no vote on the HST ballot. It's a shame it was introduced with so little planning and foresight, because it is the best way to tax an economy and promote savings over consumption.

The merger arbitrage environment remains challenging, with investors often over-paying for the potential of competing bids. Additionally, the perception of risk is low as several failed marquee deals are now trading above their break price (Potash and Airgas). Nevertheless, in the first quarter we were involved in several attractive situations. We gained exposure to Cliffs Natural Resources' purchase of Consolidated Thompson through a convertible bond that offered a much better return profile than the equity. Scotiabank's acquisition of DundeeWealth was a large, high-quality domestic transaction that traded with a wide spread for two key reasons: US hedge funds were subject to disadvantageous tax treatment on a portion of the cash payment and part of the consideration included a "stubco" (a spin-off company called Dundee Capital Markets) with an uncertain value. Ultimately, we were able to deploy significant capital in the position for an annualized rate of return greater than 25%.

The Dundee stubco was one of several spin-outs we have seen recently. Silverbirch Energy was spun-out of UTS as part of the Total transaction, Geomark Exploration came from

Comaplex/Agnico-Eagle, and the current Fronteer Gold acquisition by Newmont includes an exploration stubco called Pilot Gold. South of the border, one of the largest M&A transactions of the year, Genzyme being acquired by Sanofi, includes a listed Contingent Value Right (CVR) with a payoff function based on production, regulatory, and sales milestones. What has caught our attention is how well many of these stubcos have performed once the transaction is closed and they begin independent trading. We are certainly wary of the initial pressure caused by arbitrageurs' selling (as they are not natural holders); although that effect has been mitigated by the presence of a “when-issued” upstairs market for many of these securities (i.e. the selling pressure occurs before the transaction is closed). Instead, we believe we are witnessing a rotation of the natural shareholder base, as more risk-tolerant investors can now directly invest in assets (generally of a more speculative nature) that were previously buried in a more stable and mature corporate entity. In addition, these stubcos are often better capitalized and have stronger management teams (inherited from their parent) than their small cap peers.

This quarter also made history for us, as one dollar invested with us when we launched the Vertex Fund in February 1998 is now worth over ten dollars. Our first ten bagger! We still have some of our original unit holders from inception and we thank all of you for your support over the years.



On a housekeeping matter for those of you that received statements from us at year end, they did not include the distribution that was declared at year end. Your statement for March 31st now includes that distribution.

As always please feel free to call us if you have any comments or questions.

PERFORMANCE (Class A)

Net Asset Value	1 Month	3 Month	Year-to-Date	3 Year ⁺	5 Year ⁺	Since Inception ⁺
\$75.2589	1.62%	5.77%	5.77%	13.15%	9.81%	19.53%

⁺annualized returns

This statistical information is intended to provide you with information about the Vertex Fund. Advertised performance is based on Class A shares. Important information about the Fund is contained in the Offering Memorandum which should be read carefully before investing. You can obtain an offering memorandum from Vertex One Asset Management Inc. The Offering Memorandum for Vertex One Asset Management Inc.'s Investment Funds does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. The indicated rates of return are the historical annual compounded total returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently and past performance may not be repeated.