

VERTEX MANAGED VALUE PORTFOLIO

Second Quarter Report, 2010

After an 83% rise in value for the S&P 500, almost without pause from the March 2009 low, one has to expect - given the severity of the 2008 credit crisis, lingering debt problems and general increase in market speculation - that the market was due for a correction. As this is written, the correction now stands at about 12% or 155 points, following a recent rebound. When put into perspective, a relatively minor event when considering the American markets have been trading within an 825 point range for the last 10 years. More importantly however, is that the U.S. market has returned -4.81% annualized over the last 10 years, while the Vertex Managed Value Portfolio has generated a 6.27% annualized return during the same period. I bring this up as an example of why it pays to not track indexes but to stick to your core values when investing. Any volition an investor may feel towards changing their strategy, as media pundits grapple onto the latest drivel (whether good or bad), undoubtedly leads to the opposite intended result. The reason for this is that the stock market has an innate skill for defying an individual's intuition and rationale. Which is why a reliance on fundamental analysis and investing in companies who will generate cash flow in any economy, has proven time and again to be the best compass for staying on the course to reaching one's investment objectives.

Concurrent with our belief that the companies we own are operating strong, earnings generating businesses and representing tremendous value at their current pricing; we have remained comfortable holding onto our portfolio through what will most likely prove to be a speed bump on the road to economic remediation. However, if the general markets prove to show further weakness, we are confident in the prices of our stocks, which are already trading well below their book values in a market trading on average at over 2X book value! Meaning probability weighs heavily in our favour for higher prices (and fund values) when looking forward beyond the current market din.

Outside of some small adjustments, there were no major alterations to the current strategy of your fund. Asset mix remains focused on property and casualty insurance (38.23%) and forestry products (27.5%), with regional US banks and biopharmaceuticals rounding out the bulk of the remainder. Additionally, with 64% of the portfolio holding \$US denominated securities, the portfolio continues to carry free exposure to an additional asset class - the \$US dollar - which, it is safe to say, isn't in danger of losing its reserve currency status to the Euro anytime soon!

Unfortunately, the fund ended the second quarter down. Some of the down performance can be attributed to the forestry products portion of the portfolio, which is a result of the recent anemic US housing starts data. However, the value behind owning forestry products goes well beyond a rebound in the US housing market (which is still on a government administered slow drip of iron). After a decade-long rout in forestry, the companies left standing are the best of breed, running highly efficient operations. Wood pellets are viewed as a green fuel alternative in Europe and the use of lumber vs. concrete as a building material in earthquake zones such as China, Japan & India is on the rise. Forests are replenishing after the pine beetle infestation and all the bad news has been priced into the stocks. Therefore, as the economy slowly but surely turns around, forestry is one commodity I am happy to own.

PERFORMANCE

Net Asset Value	Rate of Return (Class A)					
	<u>1 Mo.</u>	<u>3 Mos.</u>	<u>Year To Date</u>	<u>1 Yr.</u>	<u>5 Yrs.*</u>	<u>Since Inception*</u>
\$13.8843	-5.46%	-6.87%	-1.14%	21.14%	3.18%	7.56%

*Annualized

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

THE PORTFOLIO

The top 20 holdings in the Vertex Managed Value Portfolio at June 30th, 2010 are:

Fairfax Financial Holdings	Ingersoll-Rand Co.	Aspen Ins. Holdings
Platinum Underwriters Hldgs.	PRT Forest Regen. I F	Eacom Timber Rcpts.
Partner Re Ltd.	Timberwest Forest Corp.	Canfor Corp.
Mattel Inc.	Genworth Financial Inc.	XL Capital Ltd.
Montpelier Re Holdings	Walt Disney Co.	Biovail Corp.
Internat'l Forest Products	West Fraser Timber Co.	QLT Inc.
Pfizer Inc.	Fibrex Inc.	

ASSET MIX

Cash	1%	Canadian Equities	34%
Fixed Income		Foreign Equities	55%
Canadian	2%		
Foreign	8%		

Vertex One Asset Management