

VERTEX MANAGED VALUE PORTFOLIO

Third Quarter Report, 2011

The shills are back and they're everywhere – on TV, on radio, in the paper and magazines...scaring people out of their equities (stocks) and more treacherously out of their originally well-founded investment plans. The problem is that it seems crystal clear that things are awry in our world today so investors are expecting nothing but the worst. The problem with aligning one's investment portfolio to play "defense" for a worst case scenario is that almost nothing ever turns out as expected. Thus, the correct approach is to hold the course with a well-diversified portfolio that includes various different asset classes including stocks, bonds and real estate. Most investor's real estate is in their home, so that tends to leave investment portfolios to stocks and bonds. Since government bonds have tremendously outperformed stocks over the last ten years (a rare occurrence indeed), an investor should be ruthlessly rebalancing his/her portfolio out of government bonds in favor of stocks. Naturally, the opposite is happening as investors panic and flee equities to the perceived safety of the assets that have outperformed over the last 10 years - commodities and bonds. This latest downturn is not unusual however. It would be extremely unusual to have stocks go straight up in a linear motion. Furthermore, I would suggest that the risks today have been well documented and analyzed relentlessly. I mean really, who hasn't heard about Greece, American debt and double dip? This global tendency for investment depression have left stocks the cheapest in a decade even further underpinning a rational move towards equities from other investable assets.

On the portfolio front, there have been no changes although relative weights have bounced around with recent volatile markets. I have highlighted compelling valuations in many previous quarterly letters so it would be overkill to express this again. What I will say is the portfolio is well diversified in equities, with valuation characteristics such as trading below tangible book value and or very low price-to-earnings multiples well below the overall market. With the exception of the addition of forest stocks a few years back, the portfolio has been unchanged for five years. I am really looking forward to the day when we can report major adjustments to our holdings but this will have to wait for now. We simply will not make changes for change's sake while our companies are doing just fine. It isn't clear what the catalyst will be for our stocks to feel the love but rarely do catalysts for change announce themselves in advance. It is however, only a matter of time before last decade's market darlings receive less affection and then outright derision from investors. When this happens, new leaders will appear. I trust we have some of those stocks in our portfolio, but it won't be known until time reveals the next generation of exciting stocks. In the meantime, we're collecting some nice dividends. What happens to stock prices in the next ninety days is a 50/50 guess of up or down. It is highly probable that prices or dividends, or both will be higher five years from today simply for the fact that the earnings yield on American stocks is now above 10%. This will likely turn out to be more attractive to investors than a return on government bonds at 2% or cash at a 0%.

PERFORMANCE (Class A shares)

Net Asset Value	3 Month	Year-to-Date	3 Year⁺	5 Year⁺	10 Year⁺	Since Inception⁺
\$13.0721	-12.72%	-15.62%	2.23%	0.23%	5.81%	6.36%

⁺annualized returns

THE PORTFOLIO

The top 10 holdings by weight in the Vertex Managed Value Portfolio at September 30, 2010 are:

Fairfax Financial Holdings Ltd
International Forest Products Ltd
Mattel Inc
PartnerRe Ltd
Platinum Underwriters Holdings Ltd
Montpelier Re Holdings Ltd
Timberwest Forest Corp
Pfizer Inc
Ingersoll-Rand PLC
West Fraser Timber Co Ltd

ASSET MIX

Cash	0.1%	Canadian Equities	35.5%
Fixed Income CAD	2.5%	Foreign Equities	58.6%
Fixed Income USD	3.3%		

Vertex One Asset Management, Inc.

This statistical information is intended to provide you with information about the Vertex Managed Value Portfolio. 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.