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VERTEX MANAGED VALUE PORTFOLIO

Third Quarter Report, 2012

I am happy to report that unless a drastic event occurs within the next few hours your fund is up double digits this year. I'd love to tell you that it's due to trading prowess but I have to be on the level and truthfully inform you that we've pretty much done nothing. It's important to note, however, that "nothing" is one of the most difficult things to do as we are bombarded with reasons to DO something…"go to cash", "protect ourselves from the coming inflation" and a plethora of other macro and micro level sound bites. Our investing philosophy is not to engage in the stock symbol-swapping game and let good companies make us money.

Currency has been killing us. Every year, apart from maybe two out of the last ten years, holding USD denominated equities has been like cycling uphill into a headwind…no that's not a good enough description…it's been downright nasty. The cost to your fund over this period has been staggering, notwithstanding that your fund is still nicely positive. This year alone it has cost the fund about two and a half percent. I mention this not to make excuses, but the dog really did eat our homework. No really, the reason I mention it is because one day this substantial currency headwind will turn in our favour. It's true – I've been saying this for a while, but the longer it goes against us and the further the CAD rises against the USD, the more we have stored in our potential currency tailwind piggy bank. Just look to the 1990s for an example of what happens to US/Canadian exchange rates when the US economic engine takes off and commodity prices lag (see below discussion on China).

On the investment front, I like our odds. Our insurance companies continue to do the right thing by purchasing their own shares on the market as they remain under book value. This makes us richer and I cannot stress enough how this distinguishes these firms from the majority who burn cash by making expensive acquisitions or worse. Furthermore, by purchasing stock instead of selling cheap policies, it takes capital out of the insurance market thus putting a floor on insurance pricing and possibly helping boost pricing in the future. This is a double win for shareholders of insurance stocks.

Despite media attempts to have us commit investment suicide, the USA is coming back and home prices are actually rising. Lumber shipments to the USA are rising, housing starts are rising and the economy is slowly recovering. When America starts moving, so will the rest of the economically sick world. I have never been convinced that China is a global economic driver. Now, having recently travelled there, I'm even more skeptical of the 'China miracle'. There is no free lunch in this world and China is no exception. They are in for a major recession at some point to absorb the empty factories and homes after the largest over-build in human history. Notwithstanding, China rocks, but it is my belief that America will be the one to pull the world out of this funk. They were the first to go into recession and will be the first to come out. This should continue to help our forestry stocks. If China ever decides to use a little wood for building, we'll do really well; however, from my reconnaissance on the ground there is no indication Chinese builders are interested in wood for anything other than forming concrete.

To conclude, most of our investments having been working even during this period of disdain for equities. At some point, investors will commence buying equities. Bonds won't work forever –

especially with yields at historical lows. The pessimism towards equities leads me to believe it will be the best performing asset class for many years to come and with most of our stocks priced below book value, and bonds and gold close to historical highs, it is also the safest asset class. That's all I've got for this quarter…over and out.

PERFORMANCE (Class A shares as at September 30, 2012)

Net Asset Value	3 Month	Year-to-Date	1 Year+	5 Year+	10 Year+	Since Inception+
$15.7218	3.93%	13.05%	21.43%	5.01%	7.09%	7.43%

+annualized returns

THE PORTFOLIO

Top 10 holdings by weight in the Vertex Managed Value Portfolio on September 30, 2012 are:

Montpelier Re Holdings Ltd	Fairfax Financial Holdings Ltd
Platinum Underwriters Holdings Ltd	Pfizer Inc
PartnerRe Ltd	PRT Growing Services Ltd
International Forest Products Ltd	Conifex Timber Inc
Mattel Inc	West Fraser Timber Co Ltd

ASSET MIX

Cash	1.1%	Canadian Equities	34.3%
Fixed Income CAD	0.6%	Foreign Equities	62.4%
Fixed Income USD	1.6%		

Vertex One Asset Management, Inc.