VERTEX ONE
Asset Management Inc.

1920 – 1177 West Hastings Street
Vancouver, British Columbia V6E 2K3
Phone: 604-681-5787
Fax: 604-681-5146

VERTEX VALUE FUND

Third Quarter Report, 2010

As readers of past letters will know, we have been big fans of property and casualty insurance companies subsequent to the big hurricanes of 2005 and 2006. Our companies continue to put up double digit internal rates of return while being priced as if they're going out of business. Let me put it this way – these firms are priced as to be worth more dead than alive and what I mean is if they ceased to sell any more insurance and just allowed investment reserves to meet claims….put into runoff so to speak, we would have more cash in our pockets then these stocks trade for today. What's absurd about this pricing is they are not only going concerns but have been and continue to be earnings powerhouses. Furthermore, there have been no major cat events this summer/fall proving the dire predictions of major hurricanes wrong yet again, leading to what will surely be another great quarter for P&C earnings as reserve redundancies hit the income statement. Our other holdings remain the same in US banks, lumber stocks (gotta own some commodities) and pharma.

One of the greatest secular shifts in our industry is that bike riding has taken over golf as a topic of conversation. Being generally more inclined to ride a bike than hit a ball, this shift is a very pleasant development. Now I can attend a meeting and conversation revolves around weekend bike rides, races and who's on drugs in "the tour" rather than who shot an 88. More importantly there is a great bike racing analogy that applies equally to investing. Riding at the front of the pack means you'll be subject to headwinds thus most racers hang out in the pack. The pack, however comfortable it may be, is the most dangerous place from two perspectives; first, it's where crashes occur as everyone's bunched up together and there is no exit if someone makes a mistake. Second, if a break gets away - it's always off the front. If stuck in the pack, your race is over. Investing is similar in that although going against "the pack" will expose one to headwinds (don't I know it), when the pack crashes you won't be caught up in the mess. It's counterintuitive but works like a Swiss clock. On that note I believe it was mentioned in our year end 2009 report that we should look forward to a double digit rate of return for 2010 and we are three fourths the way there having achieved about half that target. I'm confident this return can still be achieved. Our P&C insurance stocks just getting to a mere book value would do it and with all of them to report earnings in Oct/Nov, it should be an easy target.

PERFORMANCE

	Rate of Return (Class F)				
Net Asset Value	**1 Mo.**	**3 Mos.**	**6 Mos.**	**Year To Date**	**Since Inception***
$11.062	**4.73%**	**4.29%**	**-5.03%**	**5.90%**	**10.84%**

*Not Annualized