

Year End Report to Vertex Fund Limited Partners for 1999

Jan 24, 2000

Dear Limited Partner:

1999	Net Asset Value per Share	Performance Year to Date
January 1	\$10.58	
December 31	\$17.90	69.2%
Since Fund Inception (February 6, 1998)		79%

Thank you for being part of our first complete year.

Although many technology funds in North America had returns in excess of 100% they owned many expensive stocks such as Nortel, JDS Uniphase or even AOL. We did not. As with any generalization there is always a fallacy, we did own Celestica which rose around 400% in 1999 causing us to lighten our holdings by 75% as we became reticent of valuations which is becoming the nemesis of many money manager.

Today the stock market ignores valuation as interest rates head higher, always a deadly combo when the left hand doesn't listen to the right hand. To balance this overvaluation we have tried to hit singles and not home runs. Our exposure to momentum stocks (or straight stock picks) has been 25% which is the area of the portfolio that we try to do what everybody else does in North America and that is pick stocks that go up. Since it is so hard to pick these home runs we continue to focus the majority of our time on locking in returns with stocks that are being taken over. Of the 50 takeover deals in which we participated in 1999 only one did not work out. These are odds that we can live with.

We are very excited about 2000 as mergers and acquisitions are running at a torrid pace and invite you to call us if you any questions or comments.

Sincerely,

Vertex One Asset Management
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