

VERTEX BALANCED FUND

First Quarter Report, 2000

The Current Scene

Each investment cycle a few stocks come along where the only decision that has to be made is how many shares should be bought. In this case the stocks are Nortel and BCE and the number of shares to be purchased is simply a function of your credit card limit and what the bank will lend against the house. Since writing your last report, Nortel and BCE are worth well over \$100 billion more than at year-end. Most notably, just the additional value placed on these stocks in three months is more than the total market value of the five largest Canadian banks combined.

I'm starting to drone on like a broken record. But really, this relentless pushing of "tech" stocks has got to stop. The new economy is starting to look like the new Tide detergent or the new Coke. Wall Street will have to come out with the new and improved economy next year to keep the credulous public buying these stocks. It was brought to my attention lately that while the public has been on a technology buying frenzy, the insiders (management) of these same companies have sold over \$50 billion of their own stock a month.

Newsire for immediate release

Things have changed. After the first two paragraphs, (this letter usually takes a couple of days to complete), Nortel and BCE have given back all those gains previously discussed. The high-flying biotechnology stocks are down 60% to 70% from their highs, the dotcoms are trading in decimal places as their names suggested they eventually would and the financials have rallied. If you aren't sure yet whether you should be happy or sad at this news, rest assured your writer considers these events to be good.

Bonds are finally performing well after a two-year hiatus. They are not chart toppers like Shania Twain and not making a miraculous comeback like Santana but are definitely finding a new audience. We still like bonds, especially long-term bonds. Long-term bonds provide us with deflation protection. Few speak about the risk of deflation. If you are interested in the subject though, just ask the Japanese. When Japanese real estate and stocks fell throughout the 90's, Japanese long government bonds more than doubled in value.

The Portfolio

There has been very little change in your fund since our year-end report. As mentioned in previous reports, your portfolio is largely invested in financial services, utilities, and communications. These companies are the companies that you and I interact with everyday and they make a lot of money. Insiders are buying, not selling and most of them are buying back stock rather than selling more to the public. I am pleased to report these companies are also showing a lot of life now after a long period in the doldrums with an occasional false start.

We expect the recent volatility to remain as part of the investment landscape as “new economy” stocks continue to grab the headlines only to become yesterday’s news as a new idea is “hatched” on investors. The best part of this scenario is that the companies in your portfolio will be the benefactors of the technology provided by the survivors and, in the meantime, continue to generate healthy returns on equity. We remain committed to our value approach and the preservation of capital.

The top 10 holdings at March 31st were as follows:

C. I. Fund Management	Olin Corp.
CIBC	Royal Bank of Canada
Cogeco Cable Inc.	St. Paul's Company
Intelligent Polymers Ltd.	Sun Life Financial
Bank of Montreal	Toronto Dominion Bank

Asset Mix

Cash	5%
Fixed Income	30%
Canadian Equities	50%
Foreign Equities	15%

Performance

We are pleased to report that the Vertex Balanced Fund returned 25.9% for the year. This compares very favourably to the average balanced fund at 13.9%.

	Net Asset <u>Value</u>	<u>Rate of Return</u>			
		<u>1 Mo.</u>	<u>3 Mos.</u>	<u>6 Mos.</u>	<u>1 Year</u>
March 31, 2000	\$12.04	5.50%	9.36%	21.23%	25.87%