VERTEX FUND

VERTEX BALANCED FUND

First Quarter Report, 2002

In past reports there has been some confusion. Each quarter two letters are sent out in one envelope regardless of whether you own the Vertex Fund or Vertex Balanced Fund. In an attempt to alleviate present and future misunderstanding, the letters have been consolidated. One letter, both funds - a merger of sorts - a collage of stratagem, thoughts, concepts and ideas. Add to this a mix of questionable use of the English language, outrageous analogies and just plain grammacular…I mean grammatical abuse and what you get is the new V1 all-encompassing mega letter. Please enjoy.

This quarter was unlike any other in a most unlikely way. No, it was not the international situation that was different - people have always killed each other in offence of their ideas and always will. It was not the market that was different - investors listened intently to analysts, economists, Alan Greenspan, and CEOs and they talked and talked and talked and people listened and then bought and sold and stocks went up, down and sideways without anybody really knowing anything about anything at all.

Before going any further we must set the stage - create the theme, add a little colour and some background. Oh forget it, let's cut out the nonsense for once and just talk about the funds. Now that's something unlikely! (See sentence one in paragraph two). Actually Jeff deserves the credit for this - his exact words were "Stop it already. Just let the performance speak for itself".

Yes yes, it is pleasing to report both funds performed very well - about 6% for the Vertex Fund and 5% for the Balanced Fund. So how'd it happen? First, both funds benefited more from what wasn't than what was: Cisco, Nortel, and BCE were absent. Nor were General Electric, Telus and IBM present. Instead Mirant, Mattel, and Reliant were present and gold stocks weren't absent. Benefits were also derived from Timmy the Trader's shrewd option writing for and against our portfolios. In this sense, our strategy is simple. When option pricing suggests annualized returns north of 50% and stocks generally rise on average 8% to 12%, writing options (selling) against our portfolio is like buying an economy class ticket and sitting in business class. For the buyer – well - he's the guy that is always giving up that great seat. It's like selling lottery tickets but better because more often than not, nobody collects a prize at all - like those home lotteries for hospitals except you run the lottery and get to keep the house.

Now here's where it gets tricky - where the two funds go their separate directions to form no common ground, no common understanding with no intention to come together ever ever ever.

The Vertex Fund went through a bit of a metamorphosis in the last six months. It wriggled like a snake and shed its merger arbitrage skin. After two less than stellar years in the stock market, investors have jumped into hedge funds. Subsequently, hedge funds poured money into merger arbitrage, squeezing spreads like a boa constrictor squeezing the life out of its prey, rendering the strategy virtually profitless. Long winded hey? Anyway, when spreads narrow, return goes south and risk goes north - a fatal combination. Readers of past reports will know that V1 runs away cowardly from risk. Our legs begin to shake like we're walkin' on a wax floor on a rainy day. We'll let brave warriors from other firms fight over the scraps.

Profits in the Vertex Fund came predominantly from owning stocks. As competitors piled into hedge funds, V1 switched to buying cheap stocks left over from a two-year bear market. In addition, efforts were concentrated in opportunities in capital structure arbitrage, distressed debt and event driven situations leaving the fund about 40% hedged verses last year's 80% hedged position.

The Balanced Fund of course held bonds. Bonds have performed about as well as Stockwell Day recently. To be sure, our bonds have had about the same track record as Stockwell for about three years. Prices fell in the long end…again, and it should be apparent by now to those reading our letters for a while that owning bonds has cost a lot in performance drag. They've been more like drag queens than drag racers. Have patience, let's clip some coupons and wait. Please refer back to every report previously written by this pen for our view on bonds. It fatigues me to contemplate writing more on the subject. Snooze snooze….

Finally, it has been brought to our attention that some previous letters divulged little in terms of what could be considered useful investment information. In light of this view, your portfolio managers at V1 had a top-level meeting to determine a methodology to rectify the situation. First, a thorough review of the past four years' quarterly reports was undertaken to determine accuracy and the quality of information provided. This review led to the following conclusions: 1. There is no data provided as in letters furnished by other financial institutions. 2. Early reports are very short and later reports are much longer. Subsequent to this review, the letter writer was interrogated to gain a better understanding of these findings.

Outlined below is a transcript of the interview:

Q. Why is there so little investment information in the reports?

A. Because everything has been said by many more intelligent people than I over and over and over and over and over and over….and people still want to buy Nortel and GE What more can I say!

Q. Why are your letters getting longer?

A. At first I knew very few words and now I know more, those words need a home and that home is your letter baby!

Q. Can you try to get serious?

A. Nope.

Q. Could you please make an effort? We've had complaints!

A. OK, but look how much paper was already wasted on this dialogue. I bet we get a complaint about this waste of ink! You people!! This firm seems to be getting top heavy, censorship committee and all. What is this - a bank?

As a reminder the Vertex Fund Limited Partnership converted into a unit trust as of January of this year. Royal Trust now acts as the custodian and trustee for the new Vertex Fund. Shareholders will have deemed to have sold their holdings at $26.9064 for the year 2002 and will have a new cost base in the Vertex Fund of $26.9064.

Thanks for your continued support.

Vertex One Asset Management
For more information please visit our web site at: www.vertexone.com

PERFORMANCE

March 31, 2002

VERTEX FUND

	Rate of Return						
Net Asset Value	**1 Mo.**	**3 Mos.**	**6 Mos.**	**1 Yr**	**2 Yrs***	**3 Yrs***	**4 Yrs***
$28.5622	**3.26%**	**6.15%**	**7.67%**	**16.61%**	**13.68%**	**34.02%**	**24.93%**

VERTEX BALANCED FUND

	Rate of Return						
Net Asset Value	**1 Mo.**	**3 Mos.**	**6 Mos.**	**1 Yr**	**2 Yrs***	**3 Yrs***	**4 Yrs***
$11.7047	**1.20%**	**4.89%**	**16.84%**	**10.61%**	**9.36%**	**14.61%**	**n/a**

*Annualized

THE PORTFOLIO

The top ten holdings in the Vertex Balanced Fund at March 31st were as follows:

Fairfax Financial Holdings	Royal Bank of Canada
Honeywell	Odyssey Re Holdings
C. I. Fund Management	Boeing
Mattel	Tidewater
Trizec Hahn	Rockwell International

<u>Asset Mix</u>

Cash	0%
Fixed Income	40%
Can Equities	30%
For Equities	30%