

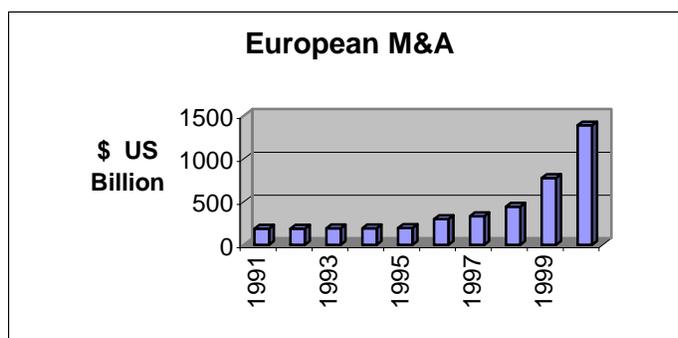
## 3<sup>rd</sup> Quarter Report to Vertex Fund Limited Partners October 10, 2000

Dear Limited Partner:

2000	Net Asset Value per Share	Performance Year to Date
January 1	\$17.90	
March 31	\$22.10	23.5%
June 30	\$23.19	29.6%
September 29	\$25.33	41.5%
Since Fund Inception (February 6, 1998)		153%

During the quarter the fund rose approximately 9.3% versus 2.0% gain for the TSE 300 Composite and a gain of 3.8% for the Dow Jones in Canadian dollar terms.

The fund benefited from having a large proportion of its assets in US dollars and that over half of its assets invested in merger arbitrage. If markets continue to spiral downwards the fund will not be immune to this as we are always biased to the upside in our arbitrage positions. This strategy helps the fund outperform in strong markets but means we will also have negative monthly returns.



Having recently spent a few days in London (which is continuing to grow as the financial capital of Europe) most people I met with feel that the consolidation that we have seen in North America is just beginning to happen in Europe. As the Euro weakens, it offers U.S. companies the potential to grow globally at what are now very attractive prices in a local market environment that is losing its xenophobia. The shift to growing globally and opening up family held companies will accelerate this trend and offer us new opportunities in Europe over the years to come.

The fund also purchased its first private placement with a 1% weight in a firm called Synaxia Networks based in Ottawa. Synaxia has developed extremely fast web servers that can handle 64,000 users simultaneously. We do not anticipate doing many private placements but this idea was vetted through Celtic House, which we regard as Canada's brightest venture capitalist firm (and most successful). This company has the management to succeed which is even more important than a good product. As you may recall private placements are limited to 15% of our overall strategy and currently stand at what we view as a healthy weight of 1%. Total assets are approximately \$37m at the end September.

Please drop us a note or call if you any comments or questions.  
Sincerely,

Vertex One Asset Management  
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