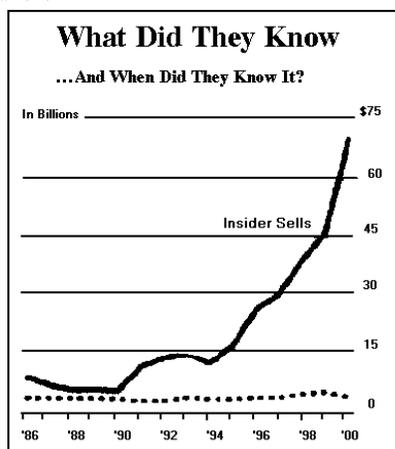


Year End Report to Vertex Fund Limited Partners for 2000

Dear Limited Partner:

2000	Net Asset Value per Share	Performance Year to Date
January 1	\$17.90	
December 29	\$25.05	39.9%
Since Fund Inception (February 6, 1998)		151%

"Source: Barrons"



Anyone having an interest in why merger arbitrage was our number one strategy over the past few years will find the chart above pretty revealing and it's not pretty. For some reason company insiders believed that it was time to sell. So ya godda say to yas sef now and den – Sef, what ees goin on he-a? Sompen dem boys know dat I aaam missin.

This, as you might have guessed, occurred predominantly in tech names but nonetheless shed some light on equity valuations. When insiders are selling to the tune of \$75 billion dollars, it is just too risky to own stocks and time to use a different approach. While investors were gobbling up all that tech paper last year, merger arbitrage

provided a risk adjusted return so tasty as to make term deposits look down right dangerous. We participated in a total of 68 merger transactions with only two failed deals resulting in a return of 40%. Of the two deals that didn't work out, one broke and the other had our legs shaken like we were slipping on a banana peel leading us to chicken out and unwind the transaction.

This year (2001) fifteen transactions with annualized spreads north of 30 percent make up over half of the fund. Going forward, our eyes are on Europe. European companies have been reluctant to merge divest acquire and restructure. To compete in a global economy or even in a European economy, firms have to produce better, faster and cheaper. The name of the game is scale and top line revenue provides that scale. No longer can a retailer in France charge twice as much as one in Spain for the same product. Not when they are both priced in Euros with no cross border tariffs. Europe is feeling the urge to merge and Vertex will do its part to help our continental friends out.

With the decline in the tech wreck in 2000 volatility is at an all time high and we hope to add increased incremental returns this year by selling (shorting) put options on stocks that we love in the genome area.

Sincerely,

Vertex One Asset Management
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