

## 3rd Quarter Report to Vertex Fund Limited Partners, Oct 4, 2001

Dear Limited Partner:

<b>2001</b>	<b>Net Asset Value per Share</b>	<b>Performance</b>	<b>Year to Date</b>
January 1	\$25.05		
March 31	\$24.49		
June 30	\$25.81		
September 31	\$26.53		5.9%
Since Fund Inception (February 6, 1998)			165%

Last quarter we reported how poorly the stock market indices had done for the last six months. Well they did it again! Over the last three months all major stock indices on a global basis including Canada and the US had double digit declines. This was the worst quarter for stocks since 1987.

All US stock indices over two years are now negative and the Nasdaq is negative for four years. Nasdaq may turn out like Japan which has an unspoiled track record of 17 years of negative returns after its bubble burst in 1987. The Canadian dollar declined over 3.8%, which helped boost the fund to a positive return of 2.8% for the quarter.

At one point after 9-11, the fund was down over 4% as the spreads in Merger arbitrage widened to the largest seen since starting the fund. It seemed like the golden days of yesteryear with amazing spreads to capitalize on everywhere, but rational thought soon prevailed causing spreads to narrow leaving the fund unchanged for the month.

Many arbitrage deals were cancelled after the attacks on America yet the Vertex Fund did not have any exposure to cancelled deals. Although broken deals have not had material impact in the past, we remain vigilant to ensure only deals with the highest probability of success find a home in the fund.

Nearly 30 companies have been taken over in the oil and gas sector in Canada since the beginning of the year. We believe that the rest of the year holds just as much promise and the fund currently has built positions in pre merger candidates of Canadian Hunter and Husky Oil.

Please call us if you have any questions at any time.

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