

4th Quarter Report to Vertex Fund Limited Partners, January 16, 2002

The Vertex Fund's mandate is to generate positive returns quarterly without regard to the market, commonly known as absolute returns. With this in mind, it was a tough year to find transactions where the risks were acceptable and the return characteristics enticing. Spreads, and the subsequent return on merger deals, have narrowed over the last 18 months as more investors look to arbitrage and its inherent lower risk. Vertex deals must have a high probability of closing, thereby insuring our philosophy of "don't lose money". No deals broke in 2001 but some took longer to close than expected. Just when it appeared that one merger was about to crack due to anti-competition issues, Yahoo made a superior bid for HotJobs, outbidding the former suitor TMP, the online Internet career destination portal builder of Monster.com.

Equity exposure was kept to minimal levels during the last quarter and was concentrated in ideas where a potential takeover is imminent. Clarica Life Insurance was acquired sooner than anticipated leaving us with a position in Canada Life, which may become the next target in the Canadian insurance industry.

Performance for the quarter was 1.43% with a one-year return of 7.42%. Given that major indices were negative for each of the last two years and 5 year bonds yield under 4%, north of 7 is more than satisfactory.

The future will include a continued search for investment ideas that offer the opportunity to earn a return in excess of our hurdle rate (20% annualized), while remembering not to lose money. Currently, many stocks are overvalued, some more than in 1999 at the height of the investment bubble. To listen to the press these days you would be led to believe that highly touted economists have cleared the fog in their crystal balls. Unfortunately our insight into the future is as uncertain as always and we remain committed to our low risk strategies such as merger arbitrage.

We wish everyone Good Health and Happiness in 2002!

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VERTEX FUND PERFORMANCE

<u>1mo.</u>	<u>3mo.</u>	<u>6mo.</u>	<u>1 yr.</u>	<u>2 yr.</u>	<u>3 yr.</u>
2.85%	1.43%	4.26%	7.42%	22.6%	36.5%

December 31, 2001 Unit Value \$26.91