VERTEX FUND

Fourth Quarter Report, 2002

What a way to end off the year!

This December turned out to be the worst for stocks since 1931, ending off three straight years of declines. The average stock dropped 5.7% in December (as measured by the Wilshire 5000 which is the total return of the 5,000 largest stocks in the US) versus the Dow Jones losing 6.2%, while the Vertex Fund had its best month of the year with a return of 5.2%. We are proud to have positive returns in both our funds over this precipitous decline. In 2002 all the market indices have double digit declines (average decrease of 22.1%) versus a loss in the Vertex Fund of 2.4%. Although we had great relative performance we are disappointed with our absolute returns after our first negative year ever. Consequently your Investment Team has decided this is inappropriate behavior and every effort will be taken to avoid negative returns in the future.

The world outside of the USA is aghast at American foreign policy, which from our seat does not seem to be based on any rational logic. Perhaps there are definitive facts about weapons of mass destruction that the United Nations are not privy to, but we have yet to see many decisions in the US administration based on facts. The Bush administration has a tendency to act more on gut feel than facts. It seems that the action of replacing Paul O'Neill as Secretary Treasurer with John Snow (ex C.E.O. of CSC Corp.) was because his biggest fault was "telling it the way it is". Mr. O'Neill's open policy did not fit with the traditional lack of information flow from the Bush Administration. This position is the second most powerful economic position in the US (after Greenspan) and this change in administration shows a pivotal shift in US policy in regards to the strength of the US dollar. Mr. O'Neill had stated that the US dollar policy would be only one of strength and a change would happen over his dead body (or a lesser case scenario, his job).

"O Canada" is the theme that may develop in 2003 courtesy of the Americans. Last month the Euro appreciated by over 5% against the US dollar and gold. Gold, which has a negative correlation to the US dollar, is also on the move. Although gold hurt our performance for most of 2002, we still have a 10% weight (including Merger and Arbitrage deals) and have benefited recently from this position. Gold will be our proxy to perform in an environment of war, American economic weakness and strength of the Canadian dollar. Additionally we have increased our weight in the Oil and Gas sector as more companies such as Paramount and Vermillion Resources convert into unit trusts. Our belief (as highlighted in the last letter) about a shortage of Natural Gas reserves in North America makes us feel comfortable about our over-weight position.

We will be singing "O Canada" loud and proud this year with a stronger dollar vis-à-vis the US, we also believe "real assets" will outperform "financial assets" with our favorite categories being:

Oil and Gas	25%
Gold	10%
Pulp and Paper	5%
Real Estate	4%
Canadian Dollar	95% of the Fund is exposed to the Canadian dollar

America was passed the economic torch around 50 years ago from Europe where the birth of the industrial revolution started. America has been the engine of global growth since WWII due to its strong work ethic, no substantial leisure class and not much attention paid to patent protection whilst the entire continent worked for the American dream. China today is like America in the 1950's. Even Mexican plants are shutting down as they are no longer competitive on a cost front with China. China is now exporting lower priced goods (deflation) to the entire world while building an economic engine that looks like post war America. Could America have peaked in 2002?

At the beginning of the year the Vertex Fund L.P. became a unit trust like our Balanced Fund. If you owned the Vertex Fund L.P. prior to this year (2002) outside of registered savings plans you must declare a disposition of the fund at $26.9064 per unit. We will be sending individual tax information in the near future in regards to this transaction.

Most of our success this year came from short sales which have been booked as income and applied to a unit distribution of $2.16 for a year ending value of $24.09. Capital losses that were incurred in 2002 on investments have been kept in the fund and will be applied against future capital gains.

Thank you for your support and we wish you and the Fund a Happy New Year!

	Rate of Return						
Net Asset Value	**1 Mo.**	**3 Mos.**	**6 Mos.**	**1 Yr**	**2 Yrs***	**3 Yrs***	**4 Yrs***
$24.0884**	**5.16%**	**1.56%**	**-7.84%**	**-2.44%**	**2.37%**	**13.61%**	**25.52%**

*Annualized
**Post-Distribution

The distribution on December 31, 2002 was $2.1617 per unit held.