

## 1<sup>st</sup> Quarter Report to Vertex Fund Limited Partners April 19, 1999

Dear Limited Partner:

<b>1999</b>	<b>Net Asset Value per Share</b>	<b>Performance Year to Date</b>
January 1	\$10.58	
March 31	\$11.87	12.2%
Since Fund Inception (February 6, 1998)		18.7%

It was a great quarter for the Vertex Fund. The fund returned 12.2% for the three months ending March 31 and has returned 18.7% since inception on February 6, 1998. These returns illustrate the importance of long-term investing as the value of investments in your fund is recognized in the marketplace. Equity markets have been focused solely on technology since the Asian crisis as evidenced by the fact that 60% of US stocks are below levels they were at a year ago. Cyclical stocks are finally making a strong comeback as Asia rebounds.

The Vertex Fund is always focused on being opportunistic based on market behavior. Recently, mergers and acquisitions have picked up in Canada allowing us to take advantage of Risk Arbitrage opportunities from Royal Lepage, Northrock Resources (as of today), Noma Resources, O'Donnell Investment Mgmt., Discreet Logic and Telebackup. The following is a good definition of Risk Arbitrage.

**Risk Arbitrage** consists of investing in securities of companies that are the subject of takeover bids, leveraged buyouts, restructuring and other reorganizations where there is a perceived difference between the current market price of the target company's securities and the expected value to be realized upon the completion of the transaction. Risk arbitrage is largely **independent of overall market movement**.

When Mergers and Acquisitions slow down there will be less opportunity in this sector of the market and since we are market behaviouralists we will be tracking down the next sector of opportunity. The key for us is to deliver a positive return to investors regardless of market movements.

Please call or email us if you have any questions.

Sincerely,

Vertex One Asset Management  
[Thiessen@vertexone.com](mailto:Thiessen@vertexone.com)