

## 2nd Quarter Report to Vertex Fund Limited Partners July 20, 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%
June 30	\$13.98	32.2%
Since Fund Inception (February 6, 1998)		39.81%

It was a great quarter for the Vertex Fund. The fund returned 17.8% for the three months ending June 30 and up 32.2% this year. Markets have continued to be strong this year and at the present time we see more opportunities in Canada than in the US. As American valuations have moved out of sight and commodity prices have started to recover with an Asia turnaround, this may be Canada's year after all.

As mentioned last quarter more opportunities have presented themselves in Risk Arbitrage to the point that the fund only has 50% direct market exposure. (We hope and believe that if we suffered a dramatic downturn in the equity markets the Vertex Fund would suffer only half as much as the market since only 50% of portfolio has a direct correlation to the market.) All the positions in our last letter were tendered for higher prices which has resulted in monthly performance in the fund to look like the following:

<u>Month</u>	<u>Unit Value</u>	<u>% Change</u>
Jan31	11.57	9.4%
Feb 28	11.17	-3.5%
Mar 31	11.87	6.3%
Apr 30	13.11	10.5%
May 31	13.51	3.0%
Jun 30	13.98	3.5%

Since last month we have added risk arbitrage positions in Spar Aerospace, Meridian Data, Tava Tech, BPI Funds, Morrison Middlefield, First Marathon, Scotts Restaurant and Sodak Gaming.

The Vertex Fund is now listed on the VSE with a minimum trade size of \$150,000. Although we expect trading not to be material since investors can redeem the units monthly, the fact that the units are listed on a Canadian Exchange allows them to become eligible for R.R.S.P. purposes. Of course we still take funds directly from our investors and would love to hear from you.

Sincerely,

Vertex One Asset Management  
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