

### 3<sup>rd</sup> Quarter Report to Vertex Fund Limited Partners, October 13, 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%
September 30	\$14.67	38.7%
Since Fund Inception (February 6, 1998)		46.7%

During this quarter the Vertex Fund rose by **4.9%** versus a rise of 2.3% for the Toronto Stock Exchange and a loss of 6.4% for the S&P500. The fact that the fund has more than half its assets hedged allowed it to outperform the market over the quarter. It was the first time since 1991 that the US markets had three consecutive negative months. Even the last time the Federal Reserve raised rates it couldn't knock the stuffing out of the US market for three months. The Fed is trying to pre-empt inflation due to the increase in commodity markets and hidden wage inflation through stock options. If this trend continues this may be the first year in many moons that the Canadian Equity market outperforms the US market. The TSE is currently ahead of the S&P 500 year to date.

Mergers and Acquisitions have increased at a tremendous rate, giving us plenty of investment opportunities including deals in Canada with Poco Petroleum and MacMillan Bloedel. We have increased our weightings in CI Mutual Funds and Mackenzie Financial in the belief that the Canadian mutual fund sector is rife for consolidation. Both these companies trade at very modest multiples versus other stocks or sectors with annuity streams. So far this year both O'Donnell and BPI have been acquired and we believe that strategic buyers of these assets will move up the food chain. It seems that the product has matured with the advent of hedge funds and self-directed investments through the net. As with most companies in North America the theme of fewer, bigger and stronger continues.

Also included with this copy are our financial statements to the end of June 30, as recently completed by our auditors. Please call us if you have any questions whatsoever!

Sincerely,

Vertex One Asset Management  
Thiessen@vertexone.com