

VERTEX GROWTH FUND

Fourth Quarter Report, 2011

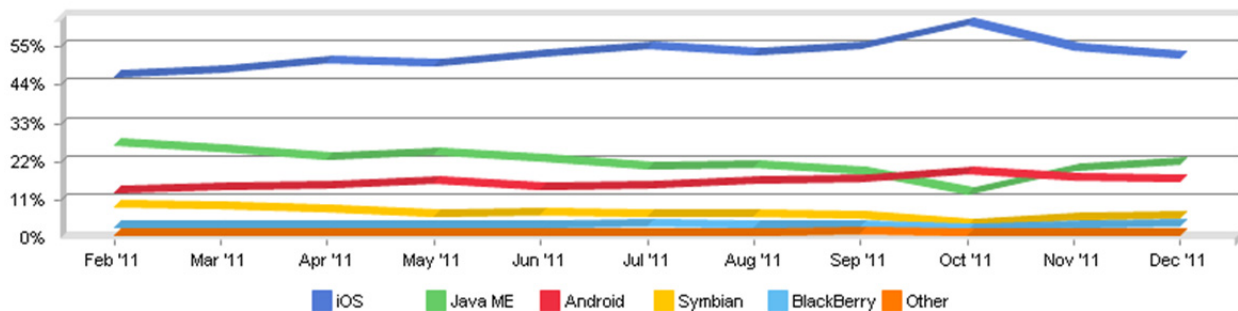
“Oh wow...oh wow...oh wow” - the last words of Steve Jobs

2011 was an eventful year, we witnessed: manic pricing in silver, historic natural disasters, historic sovereign crises, the passing of Steve Jobs and Kim Jung Il, and near-record market volatility. ‘As January goes so does the year’ is the old adage, which lost its prophetic meaning after a good start to the year proved folly by year end, with flat markets in the States and the TSX Composite down 11% in Canada. Investors were held hostage for most of the year by the Euro crisis and the inherent implications of a sovereign unraveling. Unfortunately, despite adopting a defensive strategy in July of investing in the target co.’s of high-conviction M&A deals and increasing the fund’s exposure to high yield securities, it didn’t shelter us from a difficult market. The fund finished the year down 15.4% (Class B) after finishing +1.64% in the fourth quarter. Much of the negative performance in 2011 is attributed to general market exposure and a very weak year for precious metal companies.

With regard to mergers and acquisitions, the fourth quarter saw successful closings for Silver Quest Resources, Daylight Energy, and Capital Power Income (details covered in a recent Live From the Desk email - visit <http://www.vertexone.com/mailling-list.html> to sign up). More recently, purchases of Prime Restaurants and Pharmasset also completed. We have replaced these deals with El Paso Corp, Inhibitex, and Quadra FNX Mining. M&A represents 25% of the portfolio and has been providing solid performance on an annualized basis.

“Apps are a passing fad.” - November 2010, Jim Balsillie, Co-CEO of Research in Motion

Sorry Jim, that’ll sting. Apple, a large position throughout 2011, returned 26% for 2011 compared to RIM’s stock which lost 75% (82% peak-to-trough). Mobile App downloads surpassed the one-billion-in-a-week mark for the first time with 1.2 billion apps downloaded onto mobile phones and tablet devices during Christmas week (estimated by Flurry). It was also estimated that 20 million Android and Apple devices were activated during the week of Christmas. Google (also a position in the fund) with their Android platform gained 9% for the year. Apps have become a proxy to the software explosion in the 90’s, which came with the adoption of PCs. Apple’s iOS finished 2011 with a 52% share of the mobile web browsing market. It’s split evenly between iPad and iPhone which speaks to the popularity and rapid adoption of the iPad (which saw its market share grow from 15% to 25% by year end).



Source: ZDnet

“There are few if any chronic bears, as pessimists have a hard time making a living in America.”

- John Rothchild

During the fourth quarter and heading into 2012 our optimism grew. The Long-Term Refinancing Operation announced by the European Central Bank is effectively a masked QE3, allowing them to print money to support the buying of sovereign debt. This has freed up interbank lending, leading to successful bond refinancing's and increased confidence. The collateral effect of this long-term printing of money will be a stimulus for precious metals, easing deflationary pressures from recent austerity plans. 2012 will see the bottom for equity markets with all bad news having been dispersed and a resolution for Greece realized, one way or the other.

As mentioned, Gold miners performed poorly in 2011. The yellow metal ended the year up 9.6% while gold miners fell 16%. We believe this disparity will contract, whether via falling gold prices or rising miners. Our main exposure to precious metals is through AngloGold Ashanti 6% Convertible Preferred shares and Pan American Silver Corp, along with some juniors.

A notable addition to the portfolio during the quarter was the purchase of three US mortgage insurers: MGIC Investment Corp, MBIA Inc, and Assured Guaranty Ltd. Previously abhorred, mortgage insurers have reached the point where toxic remains of the housing crisis have been flushed from their balance sheets. Furthermore, litigation cases over MBS losses between the insurers and banks are edging closer to resolution - with favourable outcomes for the insurers quite possible, adding a nice catalyst to good valuations.

Yield has been performing well as of late with our income trusts and REITs continuing a recovery that began in October. Retrocom Mid-Market REIT was added during the quarter and as well Royal Bank of Scotland Preferred shares, which just sold their aviation division for \$7.3 Billion – the world's biggest acquisition of a leasing business.

There was no distribution for the fund in 2011.

PERFORMANCE (Class B)

Net Asset Value	1 Month	3 Month	1 Year	2 Year*	Total Cumulative
\$11.9990	-0.51%	1.64%	-15.41%	9.10%	20.14%

*Annualized Return

This statistical information is intended to provide you with information about the Vertex Growth Fund. Important information about the Fund is contained in the Simplified Prospectus which should be read carefully before investing. You can obtain a prospectus from Vertex One Asset Management Inc. The Simplified Prospectus for Vertex One Asset Management Inc.'s Investment Funds does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. The funds are not guaranteed; their values change frequently and past performance may not be repeated.