

VERTEX ARBITRAGE FUND

First Quarter Report, 2014

The return for the Vertex Arbitrage Fund was in line with our expectations this quarter. While merger activity remains muted, this was the most active quarter for M&A since the third quarter of 2008. We are cautiously optimistic that activity will continue to improve, as the key ingredients remain in place: strong financing markets, robust corporate balance sheets and healthy equity markets.

The largest driver of performance in the fund this quarter was the Paladin Labs acquisition by Endo International. This situation offered both an attractive merger arbitrage spread, as well as a “spinco” that was undervalued by the arbitrage community. The largest detractor was the withdrawn proposed bid from Liberty Media for their remaining stake in Sirius XM Holdings. This cost the fund roughly 30bps of performance in March. While proposed squeeze-outs have a slightly higher probability of not being completed (relative to our standard merger arbitrage positions), they typically have lower downside and significantly more upside.

Several of our largest positions closed in March: the acquisition of Brookfield Office Properties by Brookfield Property Partners and the acquisition of Shoppers Drug Mart by Loblaw Companies. We saw some large deals in the quarter: Time Warner Cable being acquired by Comcast (\$40B market cap) and Forest Labs by Actavis (\$24B market cap). While activity is picking up, most spreads are not adequately compensating us for deal risk, thus we remain extremely selective with the deals in which we participate. We are often reminded of Warren Buffett’s adage: “The stock market is a no-called-strike game. You don’t have to swing at everything – you can wait for your pitch. The problem when you’re a money manager is that your fans keep yelling, ‘Swing, you bum!’”

The Vertex Arbitrage Fund is a suitable complement to any investor seeking predictable returns. For more information on the fund and how merger arbitrage investing works, please visit our website: www.vertexone.com

PERFORMANCE (Class F as at March 31, 2014)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2014	0.27%	0.39%	0.43%										1.09%
2013											0.59%	0.78%	1.38%*

*Return does not represent a full calendar year. Advertised performance is based on Class F shares. Important information about the Fund is contained in the Offering Memorandum which should be read carefully before investing. You can obtain an offering memorandum from Vertex One Asset Management Inc. The Offering Memorandum 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 indicated rates of return are the historical compounded returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently and past performance may not be repeated.