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VERTEX ARBITRAGE FUND

Fourth Quarter Report, 2015

The big news in the fourth quarter was the first increase to the federal funds rate since 2006. With that, we remind our investors that our arbitrage strategies act effectively like floating-rate notes (earning a spread over short-term interest rates), thus, they've historically generated higher returns in higher interest rate environments. A typical merger takes 3-4 months to close, so the portfolio turns over and quickly reprices to the new interest rate environment (i.e. it has short *duration*, or sensitivity to interest rates). Additionally, the arbitrage portfolio is highly liquid, with over 80% of the portfolio invested in securities having a market capitalization over $2 billion.

We don't expect a repeat of the record US M&A activity in 2016 but the environment remains conducive to getting deals done: interest rates are low, financing is readily available, and the US economy is showing steady growth. We've had extremely limited exposure to Canadian M&A in recent years; as oil finds a bottom our expectation is that there will be some opportunistic acquisitions by players with strong balance sheets.

One Canadian situation that has received a lot of attention is Suncor's hostile bid for Canadian Oil Sands (COS). Typically, Canadian hostile situations have proved to be fertile ground for arbitrage investors. Thus far, COS is proving to be the exception. With the backdrop of an oil price crash and some prominent investors holding out for more, the probability of a successful resolution to the situation is much lower than that to which we are accustomed. As a result, our exposure to the situation has been very small (less than 0.25% of NAV at risk on a break) and we have been active in trading around the position. Ultimately, we think it's irrational for COS investors to reject a 60% M&A premium when there are plenty of other ways to get exposure to a rebound in oil prices.

The Vertex Arbitrage Fund F returned 1.63% in the fourth quarter, taking advantage of wide spreads created by the record-setting pace of US merger activity. The current arbitrage landscape is as attractive as we have seen in *over a decade* (read our recent Live From the Desk), with average spreads well over 7%. This provides visibility on returns for the next 3-4 months (before these deals close). What the environment is after that, we can't be certain, but should the current level persist throughout the year it implies an annual return near the 7% range. Suffice to say, we are encouraged that we will achieve our return objective of 4%-6% in 2016.

Against a backdrop of global uncertainty, we favour merger arbitrage as the all-weather alternative to bonds and equity. We provide predictable equity-like returns to our investors to eliminate the burden of tactical asset allocation decisions and sleepless nights. Illustrated below, amongst volatile equity markets, are the consistent month-over-month returns of the Vertex Arbitrage Fund since inception (in green). In this graphical representation of volatility, a smooth circle represents perfectly consistent returns and low volatility around a mean.

Like every New Year, 2016 comes with a wide range of predictions from soaring markets to catastrophic collapses. By avoiding market exposure, we don't worry about such forecasts and continue on with business as usual.

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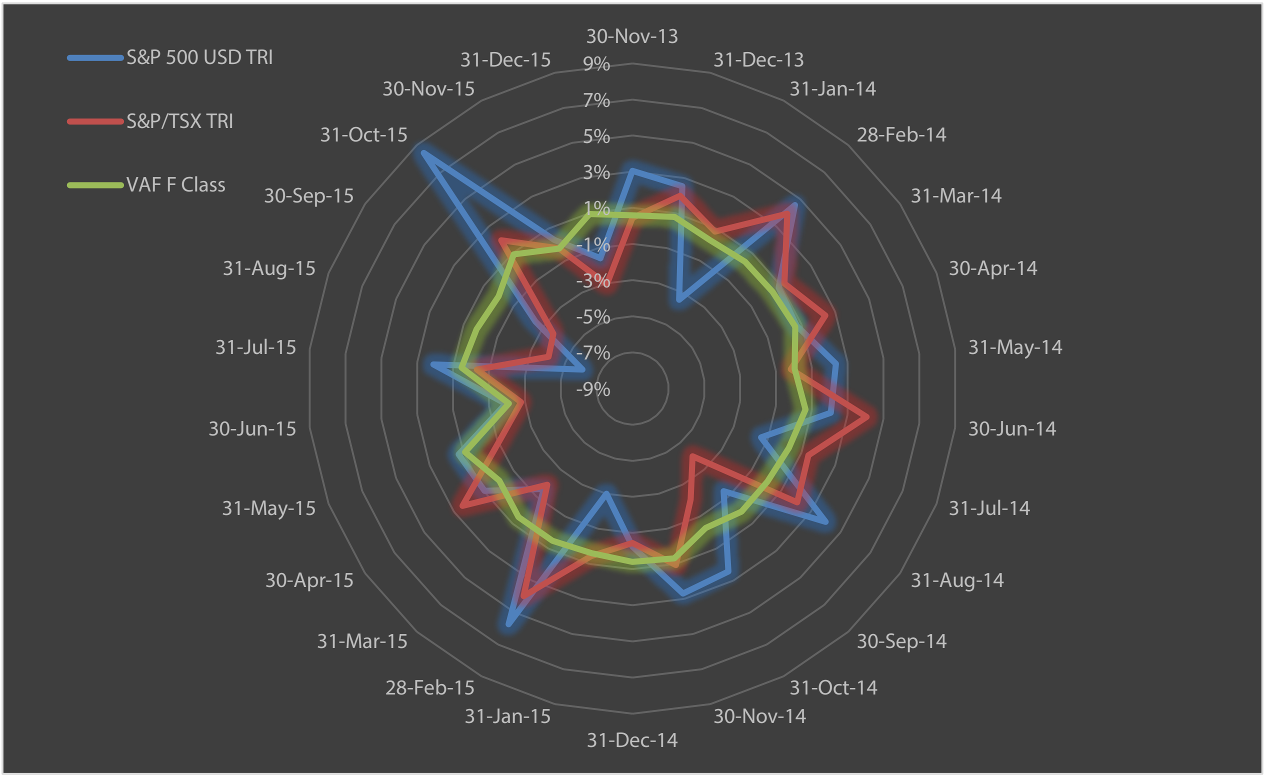
Deviation of Returns: A Comparison of Volatility



PERFORMANCE (Class F returns as at December 31, 2015)

Returns are net of all fees and include reinvested distributions.

Net Asset Value	1 Month	3 Month	6 Month	Year to Date	1 Year+	2 Year+	Since Inception+
$10.5635	0.95%	1.63%	2.43%	2.60%	2.60%	3.25%	3.65%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	0.40%	0.52%	0.51%	-0.03%	0.91%	-2.11%	0.54%	0.24%	0.00%	0.93%	-0.25%	0.95%	**2.60%**
2014	0.27%	0.39%	0.43%	0.64%	0.04%	0.64%	0.26%	0.07%	0.10%	-0.28%	0.68%	0.60%	**3.90%**
2013											0.59%	0.78%	**1.38%**

There was no income or capital gains distribution for 2015, for either class of the Fund.

*2013 Year-Return does not represent a full calendar year. Advertised performance is based on Class F shares. Returns are net of all fees. 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.