VERTEX ONE
Asset Management Inc.

3200 – 1021 West Hastings Street
Vancouver, British Columbia V6E 0C3
www.vertexone.com
Phone: 604-681-5787
Fax: 604-681-5146

VERTEX ARBITRAGE FUND

Second Quarter Report, 2016

After a very strong first quarter, the Vertex Arbitrage Fund (VAF) was roughly flat in the second quarter, returning -0.20% (Class F)**.** The fund's performance was uncharacteristically bumpy in the quarter (though still much less volatile than the market); we had a weak April due to two small positions in troubled deals, a very strong rebound in May, and a flattish June.

The key news event in the quarter was, of course, Brexit. The Fund once again demonstrated its market neutral nature, exhibiting very little volatility in the face of market turbulence. This makes sense; Britain exiting the EU has very little influence on announced, contractually-binding North American merger situations. The chart below shows the performance of the VAF in June relative to the S&P 500.

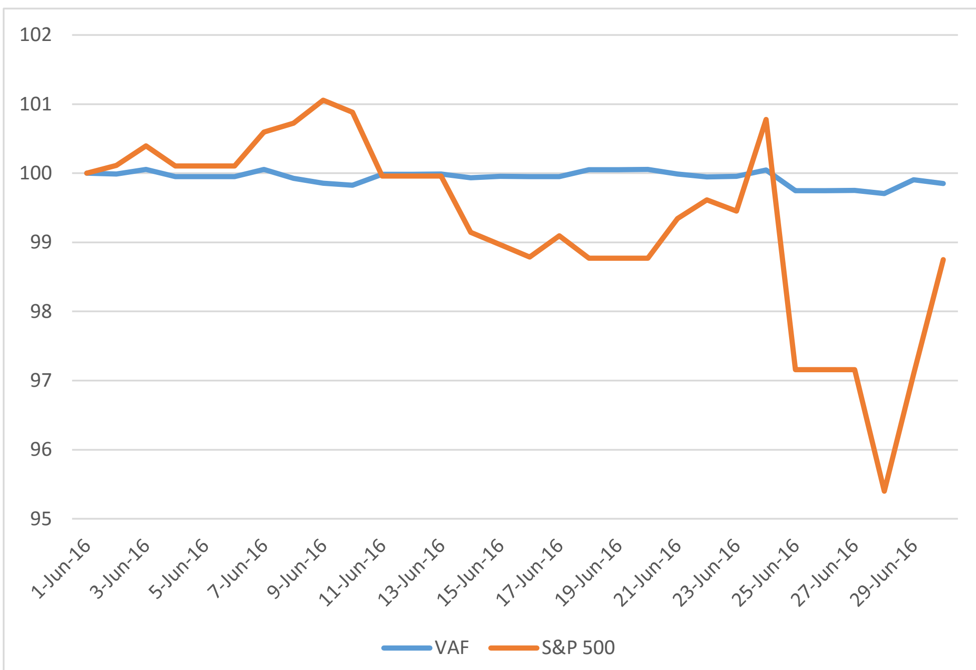

Figure 1: Daily return comparison of Vertex Arbitrage Fund (VAF) vs S&P 500*

The one impact that Brexit may have on the fund is a dampening of global M&A activity. We've discussed before about CEO confidence being a necessary ingredient for strong global M&A; with the new uncertainty in Europe it would not be surprising to see lower M&A activity in the third and fourth quarter. That said, CIBC announced a major strategic acquisition in the US (PrivateBancorp Inc.) the week after Brexit, so hopefully we are wrong. The chart below shows that, while we are not on record pace for last year, North American M&A activity continues at a healthy pace.

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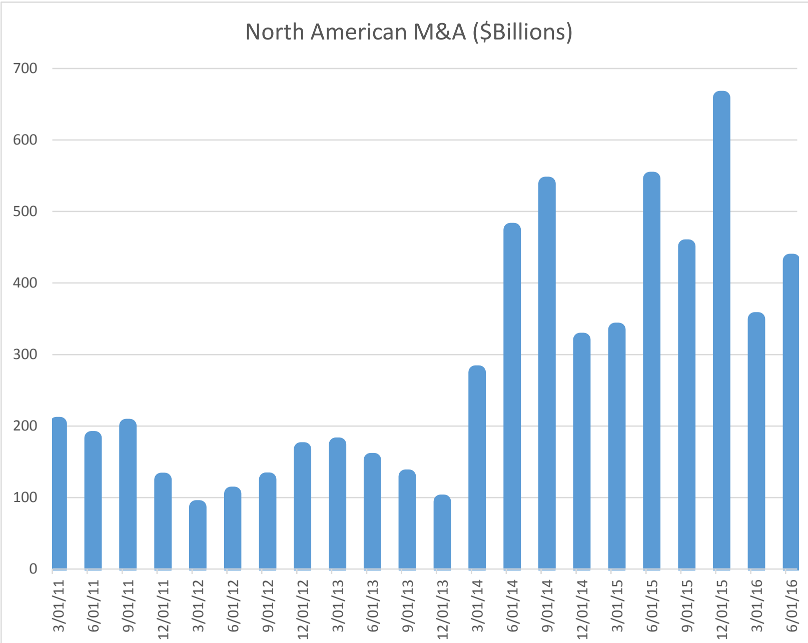

Figure 2: North American Merger and Acquisitions Activity; Source: Bloomberg

One bright spot in terms of M&A activity has been a resurgence in Canadian deal making. The Fund is currently 25% invested in Canadian situations (compared to ~5% at the start of the year). We have seen some larger strategic deals announced (BCE for Manitoba Tel, not a position in the fund) and many smaller resources deals that are offering attractive spreads. Subscription receipts and installment receipts remain a core strategy of the fund with an attractive risk/reward profile. Two notable large positions for the fund in this strategy were TransCanada Corp sub-receipts (financing their purchase of Columbia Pipeline) and Emera instalment receipts (financing their Teco Energy acquisition). These offered 5-10% returns for low risk exposure to high quality M&A transaction.

As always, please feel free to contact us if you have any questions or concerns.

*Vertex Arbitrage Fund cumulative daily return is reported using our Portfolio Management System which reconciles daily and shadows the custodial NAV monthly. The returns are unaudited.

PERFORMANCE (Class F returns as at June 30, 2016)

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+
$10.8058	-0.03%	-0.20%	2.29%	2.29%	4.78%	3.19%	3.83%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016	0.60%	0.69%	1.20%	-1.29%	1.13%	-0.03%							**2.29%**
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%	0.61%	**3.92%**
2013											0.59%	0.78%	**1.38%**