

**VERTEX ARBITRAGE FUND**  
**VERTEX ARBITRAGE FUND PLUS**

Third Quarter Report, 2018

For the third quarter of 2018, the Vertex Arbitrage Fund returned 0.82% and the Vertex Arbitrage Fund Plus returned 1.60%.

After an eventful first half of the year, Q3 was much closer to business-as-usual for arbitrage. While NXPI did “time out” in July, we had a very small position that didn’t materially impact the fund. We still have some merger situations that require Chinese government approvals but we are keeping exposures to these small for obvious reasons. While we tend to be focused on US situations (often 80% invested in the US, currency hedged), there have been some interesting Canadian M&A events recently.

Two Canadian hostile bid situations emerged in the quarter: Lundin Mining bidding for Nevsun Resources and Ensign Energy bidding for Trinidad Drilling. While presenting a riskier profile than our standard definitive merger situations, Canadian hostiles have historically generated great returns for the arbitrage strategy. Unlike in the US, where a board can simply say no to a hostile bid, in Canada the legal framework is much more shareholder-friendly. Companies effectively have a period of time in order to seek alternative bidders (“white knights”) and then they must allow shareholders to decide on the fate of the company. Our typical expectation is that a hostile bidder will improve their bid somewhat in order to facilitate a friendly transaction. We were happily surprised, then, when a white knight emerged in each of these deals and paid a higher price (approx. 20% higher in each case).

Another Canadian highlight was the acquisition by Enbridge of a group of its own subsidiaries – most notably Enbridge Income Fund and Spectra Energy. We tend to like these types of situations because they are low risk: regulatory approvals are perfunctory as the assets are already controlled by the parent and there are unlikely to be any operating surprises along the way as the assets are well known to the buyer. While there is no opportunity for a white knight like in a hostile, we do typically expect some improvement in terms from the original proposal in order to keep shareholders (and the special committees) of the subsidiaries happy. In this case, the improvement in terms was larger than our expectation and the two positions were among our largest gainers in the quarter.

On the SPAC side, returns continue to be healthy. We have been selectively selling some SPACs that have done very well in order to make room for the large amount of new SPAC issuance we see coming in the fourth quarter. We are happy to see a lot of “de-SPACing” transactions being announced which allows us to crystalize the value of our optionality in this low-risk part of the portfolio (the risk capital is ultimately invested in short-term US government securities).

**VERTEX ARBITRAGE FUND** (Class F returns as at September 28, 2018):

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	2 Year <sup>+</sup>	3 Year <sup>+</sup>	Since Inception <sup>+</sup>						
<b>\$ 10.7234</b>	0.48%	0.82%	2.97%	2.02%	3.52%	4.14%	3.79%						
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	0.20%	0.27%	-0.37%	0.39%	0.88%	0.74%	-0.09	0.44	0.48				<b>2.97%</b>
2017	0.32%	0.61%	0.17%	0.68%	0.41%	0.46%	0.28%	0.21%	0.28%	0.18%	-1.24%	0.14%	<b>2.52%</b>
2016	0.60%	0.69%	1.20%	-1.29%	1.13%	-0.03%	0.20%	0.45%	0.73%	-0.17%	1.21%	0.48%	<b>5.27%</b>
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%	<b>2.60%</b>
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%	<b>3.92%</b>
2013											0.59%	0.78%	<b>1.38%</b>

**Portfolio Exposure:**

% Long	% Short	% Net
95.58	-22.23	73.55

**VERTEX ARBITRAGE FUND PLUS** (Class F returns as at September 28, 2018):

Net Asset Value	1 Month	3 Month	6 Month	Year to Date									
<b>\$10.8176</b>	0.93%	1.60%	5.66%	5.90%									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	0.46%	0.57%	-0.79%	0.75%	1.75%	1.44%	-0.22	0.90	0.93				<b>5.90%</b>
2017			0.43%	1.28%	0.91%	0.99%	0.47%	0.51%	0.58%	0.40%	-2.30%	0.32%	<b>3.60%</b>

**Portfolio Exposure:**

% Long	% Short	% Net
190.64	-46.00	144.71

\*Note: VAF Plus inception date is February 28, 2017.

Returns are net of all fees and include reinvested distributions.

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 do 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.