VERTEX ONE
Asset Management Inc.

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VERTEX ARBITRAGE FUND
VERTEX ARBITRAGE FUND PLUS

First Quarter Report, 2019

For the first quarter of 2019, the Vertex Arbitrage Fund and Vertex Arbitrage Fund Plus returned 0.75% and 1.55% respectively.

The merger arbitrage environment was atypically volatile this past quarter – with a deal break; a deal with a hostile interloper; and a major deal wobble due to acquirer vote fears. The broken deal was the failed acquisition of MEG Energy by Husky Energy. From the outset, we were cognizant of the higher risk profile of this hostile transaction, especially as compared to our definitive friendly deals. Commensurate with this higher risk, Canadian hostile deals have historically offered very attractive rates of return and upside optionality. In fact, in the fall of 2018 we had two Canadian hostile transactions resolve very favourably via the emergence of white knights. In light of this, we were probably due for the reality check that occurred when Husky walked away from the deal to buy MEG. This highlights the primary risk inherent to hostile deals: the bidder has the option to walk away without any real recourse, which is very different from a definitive deal. For the month of January, this deal break cost the funds 35bps and 70bps respectively.

The next source of arbitrage volatility was the emergence of Barrick as a hostile bidder for Newmont Mining, which was in the midst of acquiring Goldcorp. We had a small position in the Goldcorp/Newmont merger (long Goldcorp, short Newmont as per the deal terms) resulting in a small loss to the portfolio, as the deal was ultimately restructured to include a special dividend to appease Newmont shareholders.

The final source of volatility in Q1 was the result of acquirer fears surrounding Bristol Myers' stock-and-cash acquisition of Celgene. These fears turned into an opportunity to add to our position at very wide levels. Ultimately, the deal won approval from BMY shareholders and the spread has narrowed considerably.

Despite these hiccups, the arbitrage strategy continues to generate attractive returns with no correlation to equity markets or interest rates. It's important to note that these sources of arbitrage volatility are event specific, meaning that they did not emerge from broader market volatility (the markets have been in strong recovery mode for all of Q1. Moreover, they did not impact any other positions in the portfolio (i.e. one deal running into trouble has no impact on the rest of the portfolio), and ultimately did not result in any P&L swings beyond the normal expectations of our risk management processes.

The SPAC strategy continues to quietly tick along, with new IPOs replacing de-SPACs (when a SPAC closes their asset acquisition, it ceases being a SPAC and becomes a common equity like another stock, hence the term de-SPAC). A couple of notable de-SPACs last quarter have traded very well post-announcement: Haymaker acquiring OneSpaWorld Holdings and Churchill Capital acquiring Clarivate Analytics (an old Thomson Reuters business owned by Onex). These two names have each traded from $10 to $14.

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We are pleased to announce the addition of the Vertex Liquid Alternative Fund (VLAF) and Vertex Liquid Alternative Fund Plus (VLAFP) to the line up of our Arbitrage products. These funds are focused on the same strategies as the VAF/VAFP, have daily liquidity, and are offered under a prospectus structure. Please contact us if you have any questions about these new products.

VERTEX ARBITRAGE FUND (Class F returns as at March 29, 2019):

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	2 Year+	3 Year+	Since Inception+
$ 10.8460	0.41%	0.75%	0.75%	4.05%	2.76%	3.12%	3.65%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	0.22%	0.11%	0.41%										**0.75%**
2018	0.20%	0.27%	-0.37%	0.39%	0.88%	0.74%	-0.09%	0.44%	0.48%	0.05%	0.45%	-0.11%	**3.37%**
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%	**2.52%**
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%	**5.27%**
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%**

Portfolio Exposure:

% Long	% Short	% Net
65.91	-12.78	53.14

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VERTEX ARBITRAGE FUND PLUS (Class F returns as at March 29, 2019):

Net Asset Value	1 Month	3 Month	6 Month	Year to Date	Since Inception+
$11.0005	0.89%	1.55%	2.31%	1.55%	5.70%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2019	0.47%	0.18%	0.89%										**1.55%**
2018	0.46%	0.57%	-0.79%	0.75%	1.75%	1.44%	-0.22%	0.90%	0.93%	0.10%	0.92%	-0.27%	**6.69%**
2017			0.43%	1.28%	0.91%	0.99%	0.47%	0.51%	0.58%	0.40%	-2.30%	0.32%	**3.60%**

Portfolio Exposure:

% Long	% Short	% Net
140.18	-25.84	114.36

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

Returns are net of all fees and include reinvested distributions.