

Vertex Arbitrage Fund

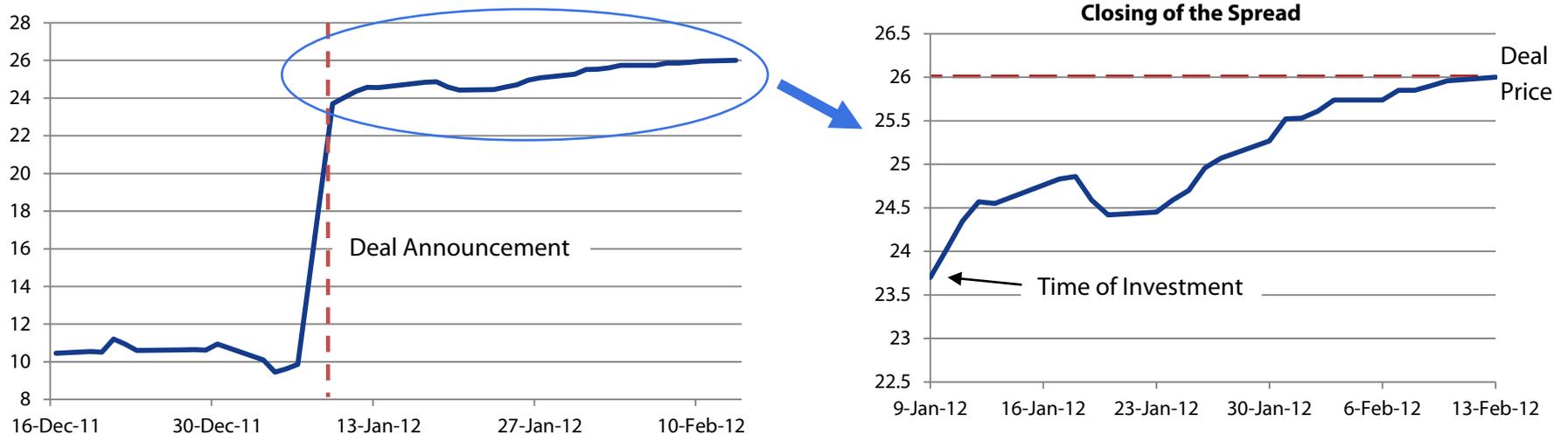
Providing access to low-risk, arbitrage strategies - a core strategy of the Vertex Fund for over 15 years

Why Invest?

This fund is appropriate for investors seeking absolute returns with low monthly volatility. Arbitrage returns historically increase as interest rates rise, so the fund is well-suited as a fixed-income alternative that has low interest-rate risk. It is also an attractive investment for anyone seeking lower risk than outright exposure to the equity markets.

What is Arbitrage?

“Merger arbitrage” will be the predominant strategy of the fund; this involves capturing a profit from the discount between the market price and the “deal” price for a target company in an announced, legally-binding merger situation. When part of the merger consideration includes shares of the acquiring company, the fund hedges by selling short these shares while simultaneously buying the target company shares. In a deal for cash consideration only there is no need to hedge with the acquirer’s stock. The resulting portfolio is thus considered market-neutral. As illustrated below by the Inhibitex all-cash deal with Bristol-Meyers, profit is made from the closing of the spread between the market price and deal price.



Risk Management

The fund will mainly invest in announced, friendly M&A deals where the parties are bound by a contract to complete the transaction. Generally, this means investments are only made once a deal has been publicly announced – there is no attempt to speculate on who might be taken over next. To reduce the risk of deals not closing the fund will diversify by typically investing in 25-50 deals at any one time, with a single deal never exceeding 15% of the fund. The fund will focus on North American deals and all returns will be currency hedged to Canadian dollars.

Alternative to Fixed-Income

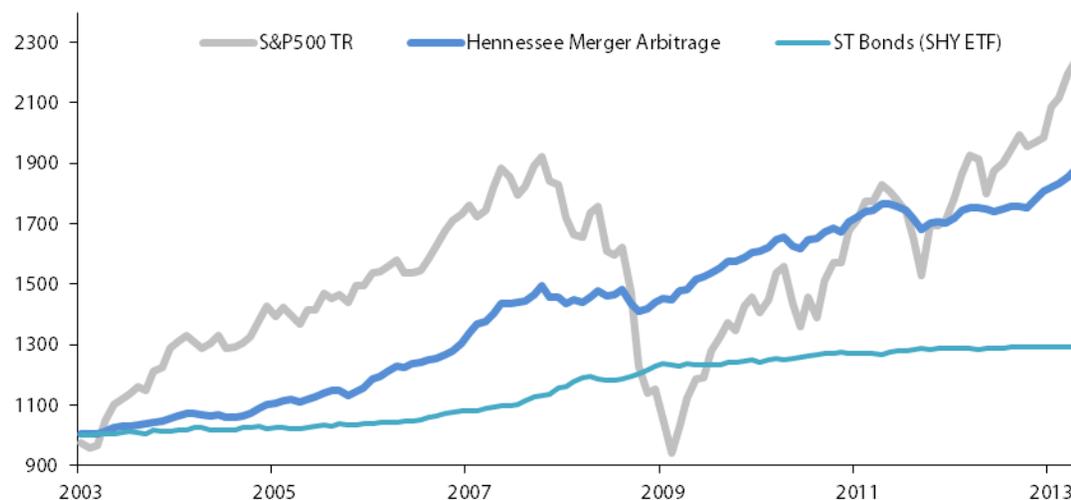
Merger arbitrage shares a similar risk profile to fixed-income. However, the returns on individual deals are priced at a premium over short-term rates, and typically the universe of deals averages around 4-5% over short-term, risk-free rates. A typical deal takes four weeks to four months to move from announcement to completion. This short duration means that the portfolio is not sensitive to interest rates. Additionally, the majority of the return will be in the form of capital gains, so it is more tax efficient than an income product.

Management Team

Craig Chilton and Tom Savage are the portfolio managers of the Vertex Arbitrage Fund. Both joined Vertex One four years ago from CIBC's highly successful, proprietary trading group. Mr. Chilton ran arbitrage strategies for 15 years at CIBC; Mr. Savage rejoined CIBC after completing an MBA at Harvard Business School, following several years on an arbitrage desk at CIBC and several years in private equity and long-only investing.

Historical Index Returns

The following illustrates the return of \$1000 USD invested on 01/01/03 into the S&P 500 Total Return Index, the Hennessee Merger Arbitrage Index and the iShares 1-3 Year Treasury Bond ETF. Information is presented solely for illustrative purposes and does not indicate past or future Vertex Arbitrage Fund returns.



Statistical index information is provided for example purposes only and are not intended to imply any association with the Vertex Arbitrage Fund. Components of the Hennessee Merger Arbitrage Index may use leverage and strategies that are not consistent with the Vertex Arbitrage Fund. 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 dividends and do not take into account income taxes payable that would have reduced returns. Important information about the Vertex Arbitrage 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 funds are not guaranteed; their values change frequently and past performance may not be repeated.