

Vertex Arbitrage Fund Plus

Annual Financial Statements
December 31, 2017



April 4, 2018

Independent Auditor's Report

To the Unitholders of Vertex Arbitrage Fund Plus
(the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2017 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows as for the period from February 28, 2017 (commencement of operations) to December 31, 2017, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and its financial performance and its cash flows as for the period from February 28, 2017 (commencement of operations) to December 31, 2017 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licenced Public Accountants

Vertex Arbitrage Fund Plus

Statement of Financial Position

As at December 31, 2017

December 31, 2017

Assets

Current assets

Investments	\$	83,474,156
Investments, pledged as collateral	\$	35,816,181
Cash		77,931,456
Due from broker		1,707,985
Accrued interest		30,373
Dividends receivable		56,062
Subscriptions receivable		13,094,543
Derivative financial instruments		
Options		172,558
		<u>212,283,314</u>

Liabilities

Current liabilities

Securities sold short	\$	33,768,994
Management fees payable (Note 10)		97,997
Interest payable on securities sold short		494
Dividends payable on securities sold short		80,145
Loan payable (Note 3)		73,817,820
Redemptions payable		157,863
Due to broker		2,769,935
Derivative financial instruments		
Forward contracts		-
Written Options		724,118
		<u>111,417,366</u>

Net Assets attributable to holders of redeemable units \$ 100,865,948

Net Assets attributable to holders of redeemable units per Class

Class B	\$	5,940,174
Class F	\$	94,925,774

Net Assets attributable to holders of redeemable units per unit

Class B	\$	10.17
Class F	\$	10.21

Approved on behalf of the Board of Directors of Vertex One Asset Management Inc., the Investment Manager

"Signed"

John W. Thiessen
Director

"Signed"

Jeffrey McCord
Director

(The accompanying notes are an integral part of the financial statements.)

Vertex Arbitrage Fund Plus

Statement of Comprehensive Income

For the period from February 28, 2017 (commencement of operations) to December 31, 2017

	2017
Investment income	
Foreign exchange gain on cash	1,238,084
Change in unrealized foreign exchange gain (loss) on cash	265
Change in unrealized foreign exchange gain (loss) on loan payable	617,416
Net gain (loss) on investments and derivatives	
Dividends	870,160
Dividends, paid on shorts	(592,181)
Interest for distribution purposes	315,829
Interest, paid on shorts	(29,220)
Net realized gain	1,232,988
Net change in unrealized depreciation	(1,382,419)
Total investment income	2,270,922
Expenses (Note 10)	
Management fees	474,586
Securities borrowing fees	139,607
Performance fees	353,598
Securityholder reporting costs	37,640
Other administrative expenses	18,654
Legal fees	2,585
Interest expense on loan payable	496,896
Transaction costs (Note 3)	272,864
Withholding tax	38,981
	1,835,411
Net investment income before absorbed expenses	435,511
Increase in net assets attributable to holders of redeemable units	435,511
Increase in net assets attributable to holders of redeemable units per Class	
Class B	\$ (34,437)
Class F	\$ 469,948
Increase in net assets attributable to holders of redeemable units per Class per unit	
Class B	\$ (0.13)
Class F	\$ 0.10

(The accompanying notes are an integral part of the financial statements.)

Vertex Arbitrage Fund Plus

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

For the period from February 28, 2017 (commencement of operations) to December 31, 2017

	<u>Class B</u>	
	<u>2017</u>	
Net Assets attributable to holders of redeemable units, beginning of period	\$	-
Increase in net assets attributable to holders of redeemable units		(34,437)
Capital transactions (Note 9)		
Proceeds from issuance of redeemable units		6,103,349
Redemption of redeemable units		(128,739)
Reinvestment of distributions to holders of redeemable units		77,868
		<u>6,052,478</u>
Distributions to holders of redeemable units (Note 3)		
From net realized gains		(77,867)
		<u>(77,867)</u>
Net Assets attributable to holders of redeemable units, end of period	\$	5,940,174
	<u>Class F</u>	<u>Total</u>
	<u>2017</u>	<u>2017</u>
Net Assets attributable to holders of redeemable units, beginning of period	\$	-
Increase in net assets attributable to holders of redeemable units	469,948	435,511
Capital transactions (Note 9)		
Proceeds from issuance of redeemable units	102,150,826	108,254,175
Redemption of redeemable units	(7,695,000)	(7,823,739)
Reinvestment of distributions to holders of redeemable units	1,153,414	1,231,282
	<u>95,609,240</u>	<u>101,661,718</u>
Distributions to holders of redeemable units (Note 3)		
From net realized gains	(1,153,414)	(1,231,281)
	<u>(1,153,414)</u>	<u>(1,231,281)</u>
Net Assets attributable to holders of redeemable units, end of period	\$ 94,925,774	\$ 100,865,948

(The accompanying notes are an integral part of the financial statements.)

Vertex Arbitrage Fund Plus

Statement of Cash Flows

For the period from February 28, 2017 (commencement of operations) to December 31, 2017

	2017
Operating activities	
Increase in net assets attributable to holders of redeemable units	\$ 435,511
Adjustment for non-cash items:	
Net change in unrealized appreciation on investments and derivatives	1,382,419
Net realized gain on investments and derivatives	(1,232,988)
Change in unrealized foreign exchange (gain) loss on cash	(265)
Change in unrealized foreign exchange (gain) loss on loan payable	(617,416)
	<u>(32,739)</u>
Changes in operating assets and liabilities:	
Increase in accrued interest	(30,373)
Increase in dividends receivable	(56,062)
Increase in management fee payable	97,997
Increase in interest payable on securities sold short	494
Increase in dividends payable on securities sold short	80,145
	<u>92,201</u>
Proceeds on disposition of investments and derivatives, including proceeds received on shorts	398,297,645
Purchase of investments and derivatives, including cover for shorts	(482,354,909)
	<u>(84,057,264)</u>
Net cash used in operating activities	<u>(83,997,802)</u>
Financing activities	
Proceeds from issuance of redeemable units**	94,960,254
Redemption of redeemable units**	(7,466,498)
Distributions paid net of reinvestments	1
Loan Payable	74,435,236
	<u>161,928,993</u>
Net cash from financing activities	<u>161,928,993</u>
Increase in cash	77,931,191
Change in unrealized foreign exchange (gain) loss on cash	265
Cash, Beginning of period	<u>-</u>
Cash, End of period	<u>\$ 77,931,456</u>
Supplemental Information (included in operating activities)	
Cash interest paid on short positions	29,714
Cash dividend paid on short positions	512,036
Cash received from interest, net of withholding taxes	285,456
Cash received from dividends, net of withholding taxes	775,117

** The amounts of proceeds and redemptions exclude non cash items such as switches and exchanges between classes for December 31, 2017 amounting to \$199,378.

(The accompanying notes are an integral part of the financial statements.)

Vertex Arbitrage Fund Plus

Schedule of Investments

As at December 31, 2017

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
LONG						
BONDS						
Corporate Bonds						
1,841,000	Orbital ATK Inc., Callable	5.250%	1-Oct-21	2,381,235	2,380,668	
	Total Corporate Bonds			<u>2,381,235</u>	<u>2,380,668</u>	<u>2.36</u>
	TOTAL BONDS			<u>2,381,235</u>	<u>2,380,668</u>	<u>2.36</u>
STOCKS						
CONSUMER DISCRETIONARY						
118,500	CalAtlantic Group Inc.			7,874,540	8,399,544	
94,300	Invescor Restaurant Group Inc.			385,934	408,319	
95,000	Osprey Energy Acquisition Corp.			1,157,383	1,154,146	
12,596	Scripps Networks Interactive Inc.			1,355,177	1,351,836	
53,900	Time Warner Inc.			6,899,773	6,197,303	
23,921	Tribune Media Co., Class 'A'			1,294,516	1,277,018	
	TOTAL CONSUMER DISCRETIONARY			<u>18,967,323</u>	<u>18,788,166</u>	<u>18.63</u>
ENERGY						
305,090	AltaGas Ltd., Subscription Receipts			8,735,678	8,655,403	
	TOTAL ENERGY			<u>8,735,678</u>	<u>8,655,403</u>	<u>8.58</u>
FINANCIALS						
156,000	Alignvest Acquisition II Corp., Class 'A'			1,516,226	1,528,800	
72,500	Alignvest Acquisition II Corp., Class 'A', Warrants, (04Jul22)			43,124	50,750	
90,000	Big Rock Partners Acquisition Corp.			1,152,675	1,157,863	
125,000	Cannabis Strategies Acquisition Corp.			1,250,000	1,242,500	
112,000	Capitol Investment Corp. IV			1,422,636	1,411,360	
150,838	Central Fund of Canada Ltd.			2,501,597	2,540,685	
105,000	CM Seven Star Acquisition Corp.			1,349,565	1,314,571	
145,000	Electrum Special Acquisition Corp.			1,921,132	1,879,152	
45,000	Electrum Special Acquisition Corp., Warrants, (11Jun21)			11,088	22,909	
45,000	Exela Technologies Inc., Warrants, 2023/01/01			25,559	33,373	
96,900	Federal Street Acquisition Corp.			1,220,504	1,249,093	
95,000	GigCapital Inc.			1,222,460	1,194,150	
30,800	Global Partner Acquisition Corp.			394,470	387,156	
16,500	Global Partner Acquisition Corp., Warrants, (13Aug18)			16,078	22,400	
71,000	Gores Holdings II Inc.			970,337	924,599	
127,500	Haymaker Acquisition Corp.			1,631,981	1,586,648	
55,000	Hennessy Capital Acquisition Corp. III			729,190	717,276	
41,000	Hunter Maritime Acquisition Corp.			514,294	502,486	
19,500	Hunter Maritime Acquisition Corp., Warrants, (11Oct21)			10,713	7,378	
136,000	Industrea Acquisition Corp.			1,686,665	1,723,196	
144,000	Kayne Anderson Acquisition Corp.			1,891,538	1,802,840	
120,000	Legacy Acquisition Corp.			1,531,680	1,499,350	
63,000	Leisure Acquisition Corp.			799,848	784,783	
93,000	Matlin & Partners Acquisition Corp.			1,224,908	1,178,362	
65,000	Mosaic Acquisition Corp.			815,634	827,263	
103,300	National Energy Services Reunited Corp.			1,316,347	1,291,989	
103,300	National Energy Services Reunited Corp., Warrants, (05Jun22)			45,504	107,774	
69,700	Pensare Acquisition Corp.			883,087	904,165	
-	Potlatch Corp.			-	-	
128,000	Regalwood Global Energy Ltd.			1,625,088	1,600,915	
5,000	Saban Capital Acquisition Corp.			71,123	66,118	
135,000	Sentinel Energy Services Inc.			1,726,722	1,691,859	
30,550	Silver Run Acquisition Corp. II, Class 'A'			392,883	380,557	
8,900	Silver Run Acquisition Corp. II, Warrants, (27Apr22)			-	16,557	
116,000	Social Capital Hedosophia Holdings Corp.			1,463,851	1,545,607	
148,900	TPG Pace Energy Holdings Corp.			2,009,155	1,907,235	
121,500	TPG Pace Holdings Corp.			1,573,239	1,569,255	
124,000	Vantage Energy Acquisition Corp.			1,650,609	1,588,295	
	TOTAL FINANCIALS			<u>38,611,510</u>	<u>38,259,269</u>	<u>37.92</u>

Vertex Arbitrage Fund Plus

Schedule of Investments

As at December 31, 2017 (continued)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
HEALTH CARE						
20,650	Advanced Accelerator Applications SA, ADR			2,136,451	2,118,614	
4,105	Becton, Dickinson & Co.			1,116,399	1,104,480	
47,500	Ignyta Inc.			1,598,090	1,594,190	
14,900	NeuroDerm Ltd.			726,286	727,633	
	TOTAL HEALTH CARE			5,577,226	5,544,917	5.50
INDUSTRIALS						
110,500	Aecon Group Inc.			2,189,031	2,203,370	
18,256	Orbital ATK Inc.			3,035,582	3,017,635	
40,700	Rockwell Collins Inc.			6,648,085	6,938,306	
	TOTAL INDUSTRIALS			11,872,698	12,159,311	12.05
INFORMATION TECHNOLOGY						
40,830	Cavium Inc.			4,374,107	4,302,433	
24,800	Dell Technologies Inc., Class 'V'			2,125,623	2,533,790	
91,300	NXP Semiconductors NV			13,008,482	13,437,728	
31,400	Pure Technologies Ltd.			278,204	281,972	
	TOTAL INFORMATION TECHNOLOGY			19,786,416	20,555,923	20.38
MATERIALS						
-	Deltic Timber Corp.			-	-	
26,000	Monsanto Co.			3,955,191	3,816,603	
37,500	Osisko Mining Inc.			157,500	127,125	
968,872	Sirios Resources Inc.			281,021	305,195	
	TOTAL MATERIALS			4,393,712	4,248,923	4.21
TELECOMMUNICATIONS						
25,000	Kew Media Group Inc., Warrants, (20Mar22)			31,300	34,375	
87,300	Trilogy International Partners Inc.			791,639	547,371	
16,000	Trilogy International Partners Inc., Warrants, (07Feb22)			19,115	9,920	
	TOTAL TELECOMMUNICATIONS			842,054	591,666	0.59
UTILITIES						
197,880	Alterra Power Corp.			1,561,315	1,583,040	
164,100	Calpine Corp.			3,087,336	3,120,921	
69,900	Dynegy Inc.			1,067,379	1,041,192	
105,399	Hydro One Ltd.			2,369,032	2,360,938	
	TOTAL UTILITIES			8,085,062	8,106,091	8.04
TOTAL STOCKS						
				116,871,679	116,909,669	115.90
TOTAL INVESTMENTS						
				119,252,914	119,290,337	118.26
OPTIONS						
Call Options						
31	Akorn Inc., January 2018, \$30.00 USD			13,492	10,911	
325	Monsanto Co., January 2018, \$125.00 USD			33,081	3,677	
60	Time Warner Inc., January 2018, \$105.00 USD			3,887	716	
	Total Call Options			50,460	15,304	0.02
Put Options						
63	Advanced Accelerator Applications SA, ADR, April 2018, \$55.00 USD			1,658	396	
5	Advanced Accelerator Applications SA, ADR, April 2018, \$65.00 USD			99	629	
190	Calpine Corp., January 2018, \$14.00 USD			2,537	597	
9	NXP Semiconductors NV, January 2018, \$92.50 USD			2,828	85	
20	NxStage Medical Inc., March 2018, \$28.00 USD			1,141	9,553	
30	Straight Path Communications Inc., Class 'B', January 2018, \$110.00 USD			2,069	94	
292	Time Warner Inc., January 2018, \$95.00 USD			84,756	145,900	
	Total Put Options			95,088	157,254	0.16
	TOTAL OPTIONS			145,548	172,558	0.18
TOTAL LONG						
				119,398,462	119,462,896	118.44
TOTAL SHORT (Schedule 1)						
				(32,999,847)	(34,493,112)	(34.20)
TOTAL INVESTMENTS BEFORE TRANSACTION COSTS						
				86,398,615	84,969,784	84.24
Transaction Costs (Note 2)						
				(46,411)		
TOTAL INVESTMENTS						
				86,352,204	84,969,784	84.24
CASH						
					77,931,456	77.26
LOAN PAYABLE						
					(73,817,820)	(73.18)
OTHER ASSETS, LESS LIABILITIES						
					11,782,528	11.68
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS						
					100,865,948	100.00

Vertex Arbitrage Fund Plus

Schedule of Investments

As at December 31, 2017 (continued)

Schedule 1

Number of Shares	Description	Coupon Rate %	Maturity Date	Proceed \$	Fair Value \$	% of Total
	SHORT					
	BONDS					
	Corporate Bonds					
(2,252,000)	Hydro One Ltd., Convertible	4.000%	29-Jul-19	(839,751)	(837,744)	
	Total Corporate Bonds			(839,751)	(837,744)	(0.83)
	SHORT					
	STOCKS					
	CONSUMER DISCRETIONARY					
(9,445)	Discovery Communications Inc., Series 'C'			(254,211)	(251,338)	
(104,870)	Lennar Corp., Class 'A'			(7,867,498)	(8,336,397)	
(2,105)	Lennar Corp., Class 'B'			(96,878)	(136,745)	
(5,939)	MTY Food Group Inc.			(314,354)	(333,178)	
(5,552)	Sinclair Broadcast Group Inc., Class 'A'			(252,865)	(264,150)	
	TOTAL CONSUMER DISCRETIONARY			(8,785,806)	(9,321,808)	(9.24)
	ENERGY					
(276,180)	AltaGas Ltd.			(7,921,321)	(7,904,272)	
	TOTAL ENERGY			(7,921,321)	(7,904,272)	(7.84)
	HEALTH CARE					
(27,500)	Akorn Inc.			(1,061,933)	(1,114,111)	
(4,105)	Becton, Dickinson & Co.			(1,034,090)	(1,104,546)	
	TOTAL HEALTH CARE			(2,096,023)	(2,218,657)	(2.20)
	INDUSTRIALS					
(10,575)	United Technologies Corp.			(1,503,981)	(1,695,759)	
	TOTAL INDUSTRIALS			(1,503,981)	(1,695,759)	(1.68)
	INFORMATION TECHNOLOGY					
(88,833)	Marvell Technology Group Ltd.			(2,451,766)	(2,397,406)	
(16,850)	VMware Inc., Class 'A'			(2,063,611)	(2,654,334)	
	TOTAL INFORMATION TECHNOLOGY			(4,515,377)	(5,051,740)	(5.01)
	MATERIALS					
(46,378)	iShares Silver Trust			(928,234)	(932,171)	
(37,500)	Osisko Mining Inc.			(169,579)	(127,125)	
	TOTAL MATERIALS			(1,097,813)	(1,059,296)	(1.05)
	TELECOMMUNICATIONS					
(25,026)	AT&T Inc.			(1,203,710)	(1,223,075)	
	TOTAL TELECOMMUNICATIONS			(1,203,710)	(1,223,075)	(1.21)
	UTILITIES					
(72,925)	Innervex Renewable Energy Inc.			(1,039,181)	(1,050,120)	
(45,588)	Vistra Energy Corp.			(1,093,292)	(1,049,811)	
(7,104)	WGL Holdings Inc.			(785,846)	(766,528)	
	TOTAL UTILITIES			(2,918,319)	(2,866,459)	(2.84)
	MUTUAL FUND CORP & TRUST					
(10,231)	SPDR Gold Trust			(1,561,332)	(1,590,184)	
	TOTAL MUTUAL FUND CORP & TRUST			(1,561,332)	(1,590,184)	(1.58)
	TOTAL STOCKS			(31,603,682)	(32,931,250)	(32.65)
	TOTAL INVESTMENTS			(32,443,433)	(33,768,994)	(33.48)
	OPTIONS					
	Call Options					
(178)	Advanced Accelerator Applications SA, ADR, January 2018, \$85.00 USD			(8,745)	(1,678)	
(155)	Calpine Corp., March 2018, \$15.00 USD			(5,189)	(4,871)	
(163)	NXP Semiconductors NV, April 2018, \$115.00 USD			(117,771)	(122,935)	
(621)	NXP Semiconductors NV, January 2018, \$110.00 USD			(414,172)	(593,254)	
	Total Call Options			(545,877)	(722,738)	(0.72)
	Put Options					
(61)	Lennar Corp., Class 'A', January 2018, \$55.00 USD			(10,537)	(1,380)	
	Total Put Options			(10,537)	(1,380)	-
	TOTAL OPTIONS			(556,414)	(724,118)	(0.72)
	TOTAL SHORT			(32,999,847)	(34,493,112)	(34.20)

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

1. Establishment of the Fund

Vertex Arbitrage Fund Plus (the "Fund") was created on February 28, 2017 under the laws of British Columbia. The address of the Fund's registered office is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, BC, V7X 1T2. Vertex One Asset Management Inc. is the Manager, CIBC Mellon is the Trustee and Co-Custodian of the Fund. The Fund commenced operations on February 28, 2017. The Fund offers an unlimited number of Class B and Class F Units.

The Fund invests in securities in Canada, the United States and in other foreign jurisdictions. The principal investment objective of the Fund is to generate consistent, positive returns, with low volatility and low correlation to equity markets. The Fund attempts to achieve its investment objective by using risk arbitrage strategies, short selling and trading in options. Leveraging is restricted to no more than 160% of the net asset value of the Fund.

2. Basis of presentation and adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board ("IASB"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss.

The annual financial statements were authorized for issue by the Manager on April 4, 2018.

3. Significant accounting policies

Financial assets and financial liabilities at fair value through profit or loss

a) Classification

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss (FVTPL).

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's investments are so designated.

The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs related to financial instruments at FVTPL are expensed as incurred in the Statements of Comprehensive Income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income within net realized gain (loss) on investments.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income within changes in unrealized appreciation (depreciation) in value of investments and derivatives in the period in which they arise.

All other financial assets and liabilities are measured at amortized cost due to their short term nature.

c) Revenue Recognition

Dividend income from financial assets at fair value through profit or loss is recognized in the Statements of Comprehensive Income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the Statements of Comprehensive Income as interest income for distribution purposes which represents the coupon interest on debt instruments held by the Fund determined on an accrual basis. Dividend expense on short sales of equity securities is included within gain (loss) on investments and derivatives. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized. Net realized gain (loss) and net change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Transaction costs are costs incurred to acquire financial assets or

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

Fair value measurement

For financial statement purposes, investments traded on a recognized exchange, are recorded at fair value, established by last traded market price where the last traded market price falls within the day's bid ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

The value of any security which is not listed or traded on an exchange, but which is listed or traded on another market, including an over-the-counter market, being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof, shall be determined in the same manner as a listed security by reference to prices on that market.

Warrants if listed on a recognized exchange are valued at the latest available close price. If the warrants are not listed, but a secondary market exists then the independent broker prices (if available), who trade in such market will be used. If no secondary market exists, the warrants will be valued using the Black Scholes option pricing model.

The value of any security or property for which, in the opinion of the Manager the published market quotations are not readily available shall be the fair value as determined by the Manager based on valuation techniques. The fair value of certain securities are determined by using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, discounted cash flow analysis, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indicators of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Cash

Cash is comprised of cash on deposit.

Collateral

Cash collateral provided by the Fund is identified in the Statements of Financial Position as 'cash, pledged as collateral', if any. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statements of Financial Position separately from other assets and identifies the asset as

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements.

Options

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Schedule of Investments. Exchange traded options are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In cases where the last traded price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Over the counter options are valued using industry-accepted modeling techniques on each valuation day.

Unlisted options are valued using the Black Scholes model.

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – for put options, realized gains will arise up to the intrinsic value of the option net of premiums paid and for call options, the premium will be added to the cost base of the security purchased; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling the options to close the position, net of any premium paid.

Realized gains and losses relating to written options may arise from:

- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – for call option, realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option and for put option, the premium will be deducted from the cost base of the security purchased; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in “Net realized gain (loss) on investments and derivatives” in the Statements of Comprehensive Income.

Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars which is also its functional and presentation currency. Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the period end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date. Foreign exchange gains and losses relating to cash are presented as ‘foreign exchange gain (loss) on cash’ and those related to investments and derivatives are included in ‘net realized gain (loss) on investments and derivatives’ and ‘change in unrealized (depreciation) appreciation in value investments and derivatives’.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

Securities sold short

The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. It may also enter short positions to hedge against long positions. When the Fund sells a security short, it must deliver the security sold short to the purchaser at a future date. A gain, limited to the proceeds received on the security sold short, or a loss, unlimited in size, will be realized when the securities to cover the short sale obligation are acquired by the Fund. Securities sold short are reported in the financial statements as a liability at fair value through profit or loss as described above under recognition. Dividends and interest on these securities sold short are payable to the purchaser and are recognized as 'Dividends, paid on shorts' and 'Interest, paid on shorts', respectively. Withholding taxes, if applicable, are shown separately.

Under the terms of the prime brokerage service level agreement with Toronto Dominion Securities Inc. (TDSI), the margin for the investments sold short can be represented by a combination of cash, government debt securities and high quality common shares. To the extent that the Fund is indebted to TDSI, an equivalent amount on securities is desegregated. Desegregated assets can be used by TDSI in the regular course of its business, including rehypothecation. See note 12 for further details on security borrowing agreement.

Loan Payable

Pursuant to an agreement with TDSI, the Fund maintains a 365-day revolving loan facility. The loan facility provides for borrowing at the US Federal Credit Union (U.S FED) funds effective rate, plus 0.25%. The U.S. FED effective rate fluctuates and is marked daily, ranging between 1.25% to 1.50% (December 31, 2016 - 0% to 0.25%) for the period ending December 31, 2017. The loan was made in accordance with Investment Industry Regulatory Organization of Canada ("IIROC") guidelines associated with margin borrowing purposes where qualifying principal cash and security borrowing and lending agreements are subject to margin requirements that reflect the risk of loss associated with such arrangements. The cash and securities held with TDSI form collateral for the loan facility. The amounts due to TDSI are payable on demand. During the period ended December 31, 2017, the Fund borrowed a minimum of US\$210 (CAD\$281) and a maximum of US\$71,756,404 (CAD\$91,597,049) under this loan facility. As at December 31, 2017, there were US\$58,725,394 (CAD\$73,817,820) borrowings. During the period ended December 31, 2017, the Fund paid US\$389,999 (CAD\$496,896) of interest.

Increase in net assets attributable to holders of redeemable units for each Class

Increase in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase in net assets attributable to holders of redeemable units for the year per class, divided by the weighted average units outstanding during the period for that class.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

Net Assets attributable to holders of redeemable units and related per unit amounts

The Fund issues two classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class. Units are redeemable at the end of any month. The redeemable units are carried at the redemption amount that is payable at the Statements of Financial Position date if the holder exercises the right to put the share back to the Fund. Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class. Investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share (NAV) for transactions with unitholders. As at December 31, 2017, there were no differences between the Fund's net asset value per security and its net assets per security calculated in accordance with IFRS.

A separate NAV is calculated for each Class of units of the Fund by taking the Class' proportionate share of the Fund's common assets less that Class' proportionate share of the Fund's common liabilities and deducting from this amount all liabilities that relate solely to a specific Class. The NAV per unit for each Class is determined by dividing the NAV of each Class by the number of units of that Class outstanding on the valuation date.

Classification of redeemable units issued by the Fund

Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS32 for classification as equity and therefore, have been classified as financial liabilities.

Taxation

The Fund intends to qualify as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund has determined that it is in substance not taxable and therefore does not record income taxes in the Statements of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statements of Financial Position. As at December 31, 2017, the Fund had \$nil of unused capital losses which have no expiry and \$nil of non-capital losses.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

4. Future Accounting Change

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

During 2017, the Fund performed a high-level impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Fund in the future. Overall, the standard is not expected to have a material impact on the measurement basis of the financial assets held by the Fund since majority of the financial assets are measured at fair value through profit or loss. No impact on the Net Assets and the results of the Fund is expected from the adoption of IFRS 9.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments in applying its accounting policies and to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 6 for more information on the fair value measurement of the Fund's financial statements.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those that are not.

6. Fair value disclosure

The Fund classifies fair value measurements within a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3- unobservable inputs for the asset or liability.

The Fund's financial instruments which are recorded at fair value have been categorized based upon this fair value hierarchy. The following fair value hierarchy table presents information about the Fund's financial instruments measured at fair value as at December 31, 2017.

	Financial Assets at fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Stocks - Long	\$ 116,477,109	\$ 127,125	\$ -	\$ 116,604,234
Bonds - Long	-	2,380,668	-	2,380,668
Warrants	305,436	-	-	305,436
Options	172,558	-	-	172,558
	<u>\$ 116,955,103</u>	<u>\$ 2,507,793</u>	<u>\$ -</u>	<u>\$ 119,462,896</u>
	Financial Liabilities at fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Stocks - Short	\$ (32,931,250)	\$ -	\$ -	\$ (32,931,250)
Bonds - Short	-	(837,744)	-	(837,744)
Options	(724,118)	-	-	(724,118)
	<u>\$ (33,655,368)</u>	<u>\$ (837,744)</u>	<u>\$ -</u>	<u>\$ (34,493,112)</u>

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases,

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The Fund uses the following techniques to determine the Level 2 fair value measurements:

Equities - The fair value of equities are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability directly or indirectly. This includes transaction prices in markets that are not active for identical instruments, quoted prices in markets for similar, but not identical, instruments and transaction prices in markets that are not active for similar, but not identical, instruments.

Bonds - The fair value of bonds are determined by obtaining the quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data. In addition, the Fund also values these instruments using the net present value of estimated future cash flows.

Forward contracts - The fair value of forward foreign exchange contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present value.

Options and other over-the-counter derivatives - Options and other over-the-counter derivatives are classified as level 1 when they are exchange traded and prices are readily available on the market. Where they are not traded, the Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for these non-standardized financial instruments such as options and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Where the inputs are observable, the options and other over-the-counter derivatives are classified into level 2. Where the inputs are not observable, they are classified into level 3.

Warrants - The fair value of warrants are valued using the Black Scholes options pricing model. The warrants are classified as Level 2 where the underlying security is listed and the other inputs are observable.

Level 3 fair value measurements and sensitivity analysis

There were no level 3 securities held for assets and liabilities as at December 31, 2017.

Reconciliation of Level 3 fair value measurements

There were no level 3 securities held for assets and liabilities as at December 31, 2017.

There were no transfers between levels 1 and 2 for assets and liabilities held at December 31, 2017.

Vertex Arbitrage Fund Plus
Notes to Financial Statements
December 31, 2017

7. Financial instruments by category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended December 31, 2017.

	Net gains (losses) December 31, 2017
Financial assets/liabilities at FVTPL	
HFT	\$ (328,637)
Designated at inception	744,058
Total	\$ 415,421

8. Interest in unconsolidated structured entities

The Fund has determined that its investments in underlying funds, securitizations, asset-backed securities and mortgage-backed securities, if any, are unconsolidated structured entities. The determination is based on the fact that decision making about the underlying funds, securitizations, asset-backed securities and mortgage-backed securities is not governed by the voting right or other similar right held by the Fund.

The Fund may invest in underlying funds whose investment objectives range from achieving short-term to long-term income and capital growth potential. Underlying funds may use leverage in a manner consistent with their respective investment objectives and as permitted by Canadian securities regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holders' option and entitles the holder to a proportionate value in the respective fund's Net Assets. The change in fair value of each of the underlying funds during the periods is included in "Change in unrealized appreciation (depreciation)" in the Statement of Comprehensive Income (Loss).

The Fund does not provide and has not committed to providing any additional significant financial or other support to the unconsolidated structured entities other than its investments in the unconsolidated structured entities.

As at December 31, 2017

Holding	% of Net Assets	Country of Establishment & Principal Place of Business	% of Ownership Interest
iShares Silver Trust	-0.92%	United States	-0.01%
SPDR Gold Trust	-1.58%	United States	0.00%

Investment Entity

The fund has determined that it meets the definition of an "investment entity" and as a result, it measures subsidiaries, if any, at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purposes of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation,

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgement that the Fund has made in determining that it meets this definition is that fair value is the primary measurement attribute used to measure and evaluate the performance of substantially all of its investments.

9. Redeemable units

Redeemable units transactions includes amounts representing unit subscriptions, unit redemptions, undistributed net income, undistributed realized gains (losses) on the sale of investments and derivatives and unrealized appreciation (depreciation) in the value of investments and derivatives. Units are redeemable at the end of any month. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in note 12, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of redeemable units for the period:

	December 31, 2017	
	Class B	Class F
Units - Beginning of period	-	-
Redeemable units issued	588,901	9,911,849
Redeemable units reinvested	7,675	113,281
Redeemable units redeemed	(12,443)	(732,166)
Units - End of period	584,133	9,292,964

Certain directors and/or related parties of the Fund held 3.35% of the Fund units at December 31, 2017.

10. Fees and expenses

a) Management fees

Pursuant to the terms of the management agreement, the Fund pays the Manager a monthly management fee for services, including the provision of key management personnel, calculated as a percentage of the Net Asset Value (NAV) of each class of units that comprise the Fund on the last business day of the month. The management fee may vary from class to class and will be deducted as an expense of the Fund in the calculation of the net profits of the Fund. The management fee for each of the classes of units is as follows:

Class B: 1/12 of 2% (2% per annum) of the NAV of Class B Units of the Fund on the last business day of the month plus applicable taxes.

Class F: 1/12 of 1% (1% per annum) of the NAV of Class F Units of the Fund on the last business day of the month plus applicable taxes.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

Management fees amounting to \$ 474,586 were incurred for the period ended December 31, 2017 of which \$97,997 were outstanding at period end.

b) Performance fees

The Manager is entitled to a performance fee equal to 15% of the amount by which the performance of the Fund exceeds the previous high-water mark for each class of units. The performance fee is accrued monthly and is payable for each calendar quarter, provided that the high-water mark is exceeded, as referred to below. The performance fee plus applicable taxes will be payable by the Fund within 10 business days from the quarter-end. Upon the redemption of units of a particular class, the accrued portion of the performance fee allocated to the redeemed units for that class will be payable by the Fund within 10 business days of the end of the month in which the units were redeemed.

The highest quarter-end NAV per unit for each class of units from time to time establishes a high-water mark for each class of units which must be exceeded in subsequent quarters for the performance fee applicable to each class of units to be payable.

No change in the Manager's performance fee payment policy will be made without at least 60 days notice to the unitholders. The Manager has reserved the right to change the period for which any performance fee may be paid by the Fund to the Manager.

Performance fees amounting to \$353,598 were incurred for the period ended December 31, 2017 of which \$nil were outstanding at period end.

c) Other fees and expenses

The Fund is responsible for the payment of all fees and expenses relating to its operation, including the fees and expenses of the recordkeeper, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of units, providing financial and other reports to Unitholders and convening and conducting meetings of Unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the Fund).

At the discretion of the Manager, certain expenses were absorbed during the period in the amount of \$nil.

11. Soft dollar commissions

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the manager. The Fund paid \$7,604 in soft dollar commissions during the period.

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

12. Financial risk management

The Fund's financial instruments consist of investments, investments pledged as collateral, cash, accrued interest and dividends receivable, subscriptions receivable, other assets, accrued performance fees, accrued management fees, accounts payable and accrued liabilities, due to/from broker, redemptions payable and loan payable. The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Manager maintains a risk management practice that includes quarterly monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The risks include market risk (including interest rate risk, other price risk, and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

a) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's other price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges. As at December 31, 2017, the overall market exposures were as follows:

	At December 31, 2017	
	Fair Value	% Net Assets
Equity securities (Long)	\$ 116,909,669	115.90%
Derivative assets		
Option contracts	172,558	0.18%
Total market exposure	\$ 117,082,227	116.08%

	At December 31, 2017	
	Fair Value	% Net Assets
Equity securities (Short)	\$ (32,931,250)	(32.65%)
Derivative liabilities		
Option contracts	(724,118)	(0.72%)
Total market exposure	\$ (33,655,368)	(33.37%)

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

Short selling risk is the risk of loss related to short selling transactions. The Fund will profit from a short sale transaction if the value of the borrowed security declines in value from the time the Fund sells the stock to the time the Fund closes out its short position. There is no certainty that the security price will decline, and unlike long positions, where the risk of loss is limited to the amount of the initial investment, short positions may be closed out at a price that would result in a significant loss for the Fund. The Fund's discretion may be limited in an open short sale transaction. For example, the lender may recall the security unexpectedly, or go bankrupt thereby jeopardizing the recoverability of collateral. As well, the Fund may encounter difficulty repurchasing the security should that security's liquidity become compromised in the marketplace. The Fund mitigates such risk by shorting only liquid securities, and by depositing the appropriate collateral against the short positions.

As of December 31, 2017, if the Fund's net equity position and option investments had increased or decreased by 5%, with all other variables held constant, this would have approximately increased or decreased net assets by \$ 4,171,343. Actual results may differ from this sensitivity analysis and those results could be material.

b) Interest rate risk

As at December 31, 2017, 1.53% of the Fund's investment portfolio includes interest bearing corporate bonds and foreign bonds, as well as cash. As a result, the Fund is subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows.

The table below summarizes the Fund's exposure to interest rate risk. It includes the Fund's financial assets and liabilities at fair value, categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2017				
Financial Assets				
Bonds*	\$ (837,744)	\$ 2,380,668	\$ -	\$ 1,542,924
Financial Liabilities				
Loan payable	\$ (73,817,820)	\$ -	\$ -	\$ (73,817,820)

* The amount of bonds is net of short securities, if any

At December 31, 2017, should interest rates have increased or decreased by 25 basis points with all other variables remaining constant, the increase or decrease in net assets for the period would amount to approximately \$17,201. Actual results may differ from this sensitivity analysis and those results could be material. The Fund's managers review the interest rate exposure on a regular basis.

c) Currency risk

Currency risk is the risk that the value of net investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities, including cash, short-term investments, equities, options and loans that are denominated in currencies other than the Canadian Dollar. It is therefore

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

exposed to currency risk, as the value of and cash flows associated with the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's manager reviews the currency positions of the Fund on a regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

The currency risk reflects the net impact after taking into consideration the forward contracts. Actual results may differ from this sensitivity analysis and those results could be material. As at December 31, 2017, if the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant the decrease or increase respectively in net assets would approximately amount to values as disclosed in the tables below:

As at December 31, 2017					
	Monetary exposure	Non-monetary exposure *	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	\$ (72,513,371)	\$ 73,502,476	\$ 989,105	0.98	\$ 49,455
Total	\$ (72,513,371)	\$ 73,502,476	\$ 989,105	0.98	\$ 49,455

* The non-monetary exposure is net of short securities, if any.

* The monetary exposure is net of loan payables, if any.

d) *Liquidity risk*

Liquidity risk is the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. Fund's exposure to liquidity risk is concentrated in the cash redemptions of units, loan payable and securities sold short at the monthly valuation date.. The Fund invests primarily in securities that are traded in active markets and can be readily disposed. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Investments held as at December 31, 2017 that may be subject to liquidity risk have been identified on the Schedule of Investments. In addition, the Fund retains sufficient cash to maintain liquidity.

The tables below analyze the Fund's financial liabilities as at December 31, 2017 into relevant groupings based on contractual maturity dates. The amounts are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. The net assets attributable to holders of redeemable units are redeemable on demand. However, the Manager does not expect that the contractual maturity disclosed below will be representative of the actual cash outflows as holders of the redeemable units typically retain them for a longer period.

Vertex Arbitrage Fund Plus
Notes to Financial Statements
December 31, 2017

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
As at December 31, 2017					
Liabilities					
Financial liabilities at fair value					
Securities sold short	\$ -	\$ 33,768,994	\$ -	\$ -	\$ 33,768,994
Written options	-	724,118	-	-	724,118
Management fees payable	-	97,997	-	-	97,997
Interest payable on securities sold short	-	494	-	-	494
Dividends payable on securities sold short	-	80,145	-	-	80,145
Loan payable	-	73,817,820	-	-	73,817,820
Due to broker	-	2,769,935	-	-	2,769,935
Redemptions payable	-	157,863	-	-	157,863
Redeemable units	100,865,948	-	-	-	100,865,948

e) Credit risk

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from corporate bonds, and derivative contracts. To maximize the credit quality of its investments, the Fund's managers perform ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information. Cash and collateral are held with a prime broker bearing a credit rating of Aa3 or better.

The Fund invests in debt securities, which have an investment grade as rated primarily by Dominion Bond Rating Service and Standard & Poor's. Ratings for securities that subject the Fund to credit risk at December 31, 2017 are noted below:

Portfolio by rating category	Percentage of net assets December 31, 2017
A/A	-0.83%
Below BBB	2.36%
Total	1.53%

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold/lent is only made once the broker has

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

received/made payment. Payment is made/received on securities purchased/borrowed once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

Portfolio by Category	Percentage of Net Assets (%) December 31, 2017
Long - Bonds - Corporate Bonds	2.36
Long - Stocks - Consumer Discretionary	18.63
Long - Stocks - Energy	8.58
Long - Stocks - Financials	37.92
Long - Stocks - Health Care	5.50
Long - Stocks - Industrials	12.05
Long - Stocks - Information Technology	20.38
Long - Stocks - Materials	4.21
Long - Stocks - Telecommunications	0.59
Long - Stocks - Utilities	8.04
Long - Call Options	0.02
Long - Put Options	0.16
Short - Bonds - Corporate Bonds	(0.83)
Short - Stocks - Consumer Discretionary	(9.24)
Short - Stocks - Energy	(7.84)
Short - Stocks - Health Care	(2.20)
Short - Stocks - Industrials	(1.68)
Short - Stocks - Information Technology	(5.01)
Short - Stocks - Materials	(1.05)
Short - Stocks - Telecommunications	(1.21)
Short - Stocks - Utilities	(2.84)
Short - Mutual Fund	(1.58)
Short - Call Options	(0.72)
Cash	77.26
Other Assets, Less Liabilities	11.68
Loan Payable	(73.18)
	<u>100.0</u>

13. Exemption from regulatory filing

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Vertex One Asset Management Inc., as manager to the Fund, has provided notice to the securities regulatory authority

Vertex Arbitrage Fund Plus

Notes to Financial Statements

December 31, 2017

that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Vertex One Asset Management Inc. will not be filing the annual financial statements for the Fund with the regulator.

14. Increase in net assets attributable to holders of redeemable units per unit

The increase in net assets attributable to holders of redeemable units per unit for the period ended December 31, 2017 is calculated as follows:

Class B	December 31, 2017
Increase in net assets attributable to holders of redeemable units	(34,437)
Weighted average units outstanding during the period	260,464
Increase in net assets attributable to holders of redeemable units per unit	(0.13)

Class F	December 31, 2017
Increase in net assets attributable to holders of redeemable units	\$ 469,948
Weighted average units outstanding during the period	4,762,886
Increase in net assets attributable to holders of redeemable units per unit	0.10