

Vertex Arbitrage Fund Plus

Annual Financial Statements
December 31, 2018



Independent auditor's report

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

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017 and its financial performance and its cash flows for the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income for the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017;
- the statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017;
- the statements of cash flows for the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report



to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 4, 2019

Vertex Arbitrage Fund Plus

Statements of Financial Position

As at December 31

	2018	2017
Assets		
Current assets		
Investments	\$ 197,345,788	\$ 83,474,156
Investments, pledged as collateral	23,944,309	35,816,181
Cash	139,547,117	77,931,456
Due from broker	286,679	1,707,985
Accrued interest	233,641	30,373
Dividends receivable	34,924	56,062
Subscriptions receivable	13,196,513	13,094,543
Derivative financial instruments		
Options	559,389	172,558
	<u>375,148,360</u>	<u>212,283,314</u>
Liabilities		
Current liabilities		
Securities sold short	\$ 18,960,484	\$ 33,768,994
Management fees payable (Note 9)	158,780	97,997
Accrued performance fees (Note 9)	412,641	-
Interest payable on securities sold short	-	494
Dividends payable on securities sold short	73,430	80,145
Loan payable (Note 3)	186,888,032	73,817,820
Redemptions payable	546,444	157,863
Due to broker	285,177	2,769,935
Derivative financial instruments		
Written Options	102,314	724,118
	<u>207,427,302</u>	<u>111,417,366</u>
Net Assets attributable to holders of redeemable units	\$ 167,721,058	\$ 100,865,948
Net Assets attributable to holders of redeemable units per Class		
Class B	\$ 10,457,890	\$ 5,940,174
Class F	\$ 157,263,168	\$ 94,925,774
Net Assets attributable to holders of redeemable units per unit		
Class B	\$ 10.76	\$ 10.17
Class F	\$ 10.83	\$ 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

Statements of Comprehensive Income

For the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017

	2018	2017
Investment income		
Foreign exchange gain (loss) on cash	(7,235,678)	1,238,084
Change in unrealized foreign exchange gain on cash	3,801	265
Change in unrealized foreign exchange gain (loss) on loan payable	(5,473,494)	617,416
Net gain (loss) on investments and derivatives		
Dividends	2,347,473	870,160
Dividends, paid on shorts	(1,652,030)	(592,181)
Interest for distribution purposes	1,576,016	315,829
Interest, paid on shorts	(7,082)	(29,220)
Net realized gain on investments and derivatives	16,223,069	1,232,988
Net change in unrealized appreciation (depreciation) on investments and derivatives	10,006,877	(1,382,419)
Net gains/losses on financial instruments at fair value through profit or loss	15,788,952	2,270,922
Expenses (Note 9)		
Management fees	1,493,068	474,586
Securities borrowing fees	558,343	139,607
Performance fees	1,441,739	353,598
Securityholder reporting costs	81,757	37,640
Other administrative expenses	37,647	18,654
Audit fees	34,050	-
Legal fees	2,380	2,585
Interest expense on loan payable	2,908,192	496,896
Transaction costs (Note 3)	773,283	272,864
Withholding tax	172,253	38,981
Total expenses	7,502,712	1,835,411
Increase in net assets attributable to holders of redeemable units	8,286,240	435,511
Increase in net assets attributable to holders of redeemable units per Class		
Class B	\$ 506,144	\$ (34,437)
Class F	\$ 7,780,096	\$ 469,948
Increase in net assets attributable to holders of redeemable units per Class per unit		
Class B	\$ 0.61	\$ (0.13)
Class F	\$ 0.68	\$ 0.10

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

Vertex Arbitrage Fund Plus

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

For the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017

	Class B			
	2018	2017		
Net Assets attributable to holders of redeemable units, beginning of the year	\$ 5,940,174	\$ -		
Increase in net assets attributable to holders of redeemable units	506,144	(34,437)		
Capital transactions (Note 8)				
Proceeds from issuance of redeemable units	6,181,678	6,103,349		
Redemption of redeemable units	(2,170,106)	(128,739)		
Reinvestment of distributions to holders of redeemable units	-	77,868		
	<u>4,011,572</u>	<u>6,052,478</u>		
Distributions to holders of redeemable units (Note 3)				
From net realized gains	-	(77,867)		
	<u>-</u>	<u>(77,867)</u>		
Net Assets attributable to holders of redeemable units, end of the year	\$ 10,457,890	\$ 5,940,174		
	Class F		Total	
	2018	2017	2018	2017
Net Assets attributable to holders of redeemable units, beginning of the year	\$ 94,925,774	\$ -	\$ 100,865,948	\$ -
Increase in net assets attributable to holders of redeemable units	7,780,096	469,948	8,286,240	435,511
Capital transactions (Note 8)				
Proceeds from issuance of redeemable units	75,477,279	102,150,826	81,658,957	108,254,175
Redemption of redeemable units	(20,919,979)	(7,695,000)	(23,090,085)	(7,823,739)
Reinvestment of distributions to holders of redeemable units	877,764	1,153,414	877,764	1,231,282
	<u>55,435,064</u>	<u>95,609,240</u>	<u>59,446,636</u>	<u>101,661,718</u>
Distributions to holders of redeemable units (Note 3)				
From net realized gains	(877,766)	(1,153,414)	(877,766)	(1,231,281)
	<u>(877,766)</u>	<u>(1,153,414)</u>	<u>(877,766)</u>	<u>(1,231,281)</u>
Net Assets attributable to holders of redeemable units, end of the year	\$ 157,263,168	\$ 94,925,774	\$ 167,721,058	\$ 100,865,948

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

Vertex Arbitrage Fund Plus

Statements of Cash Flows

For the year ended December 31, 2018 and the period from February 28, 2017 (commencement of operations) to December 31, 2017

	2018	2017
Operating activities		
Increase in net assets attributable to holders of redeemable units	\$ 8,286,240	435,511
Adjustment for non-cash items:		
Net change in unrealized (appreciation) depreciation on investments and derivatives	(10,006,877)	1,382,419
Net realized gain on investments and derivatives on investments and derivatives	(16,223,069)	(1,232,988)
Change in unrealized foreign exchange gain on cash	(3,801)	(265)
Change in unrealized foreign exchange gain (loss) on loan payable	5,473,494	(617,416)
	<u>(12,474,013)</u>	<u>(32,739)</u>
Changes in operating assets and liabilities:		
Increase in accrued interest	(203,268)	(30,373)
Decrease (increase) in dividends receivable	21,138	(56,062)
Increase in management fee payable	60,783	97,997
Increase (Decrease) in interest payable on securities sold short	(494)	494
Increase (Decrease) in dividends payable on securities sold short	(6,715)	80,145
Increase in accrued performance fees	412,641	-
	<u>284,085</u>	<u>92,201</u>
Proceeds on disposition of investments and derivatives, including proceeds received on shorts	1,325,077,580	398,297,645
Purchase of investments and derivatives, including cover for shorts	(1,417,727,991)	(482,354,909)
	<u>(92,650,411)</u>	<u>(84,057,264)</u>
Net cash used in operating activities	<u>(104,840,339)</u>	<u>(83,997,802)</u>
Financing activities		
Proceeds from issuance of redeemable units**	81,504,025	94,960,254
Redemption of redeemable units**	(22,648,542)	(7,466,498)
Distributions paid net of reinvestments	(2)	1
Loan Payable	107,596,718	74,435,236
Net cash from financing activities	<u>166,452,199</u>	<u>161,928,993</u>
Increase in cash	61,611,860	77,931,191
Change in unrealized foreign exchange gain on cash	3,801	265
Cash, Beginning of the year	<u>77,931,456</u>	-
Cash, End of the year	<u>\$ 139,547,117</u>	<u>\$ 77,931,456</u>
Supplemental Information (included in operating activities)		
Cash interest expense paid on loan	2,908,192	496,896
Cash interest paid on short positions	7,576	29,714
Cash dividend paid on short positions	1,658,745	512,036
Cash received from interest, net of withholding taxes	1,372,748	285,456
Cash received from dividends, net of withholding taxes	2,196,358	775,117

** The amounts of proceeds and redemptions exclude non cash items such as switches and exchanges between classes for the year ending December 31, 2018 amounting to \$52,962 (December 31, 2017- \$199,378.).

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

Vertex Arbitrage Fund Plus

Schedule of Investments

As at December 31, 2018

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
LONG						
BONDS						
Corporate Bonds						
1,572,500	Hydro One Ltd., Convertible	4.000%	30-Sep-27	385,433	501,628	
4,240,000	Resolute Energy Corp., Callable	8.500%	1-May-20	5,676,936	5,708,856	
1,550,000	Travelport Corporate Finance PLC, Callable	6.000%	15-Mar-26	2,099,670	2,142,511	
3,080,000	Tribune Media Co., Callable	5.875%	15-Jul-22	4,198,435	4,246,864	
	Total Corporate Bonds			12,360,474	12,599,859	7.51
	TOTAL BONDS			12,360,474	12,599,859	7.51
STOCKS						
CONSUMER DISCRETIONARY						
171,700	LF Capital Acquisition Corp.			2,284,512	2,359,285	
129,100	MTech Acquisition Corp., Warrants, (01Aug24)				105,660	
76,300	Opes Acquisition Corp.			991,049	1,040,085	
287,818	Pandora Media Inc.			3,252,082	3,178,797	
69,400	Tribune Media Co., Class 'A'			4,075,799	4,299,522	
140,500	Trinity Merger Corp.			1,814,812	1,959,345	
	TOTAL CONSUMER DISCRETIONARY			12,418,254	12,942,694	7.73
CONSUMER STAPLES						
16,400	SodaStream International Ltd.			3,042,804	3,216,892	
	TOTAL CONSUMER STAPLES			3,042,804	3,216,892	1.92
ENERGY						
2	Enbridge Inc.			87	85	
519,900	MEG Energy Corp.			5,164,196	4,008,428	
60,159	TransMontaigne Partners L.P.			3,281,893	3,332,798	
155,033	Valero Energy Partners L.P.			8,586,844	8,925,325	
	TOTAL ENERGY			17,033,020	16,266,636	9.71
FINANCIALS						
125,000	Acasta Enterprises Inc., Warrants, (30July23)			3,145	1,875	
517,400	Agellan Commercial REIT			7,366,447	7,300,514	
77,000	Alberton Acquisition Corp.			1,004,696	1,060,665	
171,500	Alignvest Acquisition II Corp., Class 'A'			1,669,014	1,715,000	
92,000	Allegro Merger Corp.			1,208,650	1,296,175	
37,500	Alus Midstream Co., Class 'A', Warrants, (12Nov23)			-	33,789	
192,000	AMCI Acquisition Corp.			2,526,144	2,608,077	
57,800	ARYA Sciences Acquisition Corp.			748,279	815,915	
114,500	Big Rock Partners Acquisition Corp.			1,487,614	1,653,035	
9,700	Black Ridge Acquisition Corp.			130,843	132,954	
86,200	Boxwood Merger Corp.			1,134,133	1,168,565	
92,500	Cannabis Strategies Acquisition Corp., Rights, (21Dec25)			14,563	111,000	
31,863	Cannabis Strategies Acquisition Corp., Warrants, (21Dec25)			138,210	119,486	
140,400	Capitol Investment Corp. IV			1,799,450	1,981,910	
92,400	CF Finance Acquisition Corp.			1,233,632	1,261,445	
69,300	Chardan Healthcare Acquisition Corp.			927,199	952,706	
77,000	ChaSerg Technology Acquisition Corp.			996,842	1,050,153	
124,600	Churchill Capital Corp.			1,643,473	1,721,452	
15,400	CM Seven Star Acquisition Corp., Rights			9,932	8,410	
115,500	Collier Creek Holdings			1,526,556	1,584,690	
123,000	DD3 Acquisition Corp.			1,603,428	1,682,554	
152,600	DFB Healthcare Acquisitions Corp.			1,930,224	2,124,961	
77,000	Edtechx Holdings Acquisition Corp.			996,842	1,050,153	
114,500	Far Point Acquisition Corp.			1,492,298	1,577,222	
199,600	Federal Street Acquisition Corp.			2,439,414	2,787,613	
40,450	Federal Street Acquisition Corp., Class 'A', Warrants, (24July22)			149,626	44,178	
129,300	FinTech Acquisition Corp. III			1,705,170	1,770,499	
74,000	Forum Merger II Corp.			960,890	1,021,866	
92,500	GigCapital Inc.			1,198,592	1,334,790	
106,800	Gordon Pointe Acquisition Corp.			1,339,120	1,513,366	
76,000	Gores Holdings III Inc.			1,001,642	1,042,740	
154,000	Graf Industrial Corp.			1,993,838	2,102,408	
76,500	GS Acquisition Holdings Corp.			991,743	1,070,487	
502,900	Haymaker Acquisition Corp.			6,456,290	6,872,455	
30,100	Haymaker Acquisition Corp., Class 'A', Warrants, (16Nov22)			72,234	33,700	
36,000	HL Acquisitions Corp.			477,540	508,674	
167,800	Legacy Acquisition Corp.			2,145,063	2,332,040	
76,300	Leisure Acquisition Corp.			975,122	1,055,189	
152,600	Leo Holdings Corp.			1,935,569	2,129,128	
74,000	Megalith Financial Acquisition Corp.			963,998	1,018,330	
95,400	Mosaic Acquisition Corp.			1,212,618	1,318,030	
147,600	MTech Acquisition Corp.			1,930,321	2,029,140	
76,300	Mudrick Capital Acquisition Corp.			970,653	1,072,897	
43,110	Navigators Group Inc. (The)			4,056,120	4,089,748	
114,500	Nebula Acquisition Corp.			1,446,216	1,580,349	
76,300	New Frontier Corp.			1,012,057	1,057,272	
191,300	One Madison Corp.			2,580,998	2,619,462	
66,775	One Madison Corp., Class 'A', Warrants, (22Jan25)			-	71,097	
83,400	Pensare Acquisition Corp.			1,069,413	1,201,199	
75,600	Platinum Eagle Acquisition Corp.			869,260	1,040,348	
20,366	Platinum Eagle Acquisition Corp., Warrants, (05Mar25)			103,922	36,145	
260,300	Pure Acquisition Corp.			3,307,873	3,695,760	
152,600	Regalwood Global Energy Ltd.			1,952,796	2,122,878	
92,400	Schultze Special Purpose Acquisition Corp.			1,237,606	1,258,291	

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

Vertex Arbitrage Fund Plus

Schedule of Investments

As at December 31, 2018 (continued)

Number of Shares/ Par Value	Description	Average Cost \$	Fair Value \$	% of Total
160,200	Sentinel Energy Services Inc.	2,055,029	2,252,662	
304,850	Social Capital Hedosophia Holdings Corp.	4,003,544	4,234,565	
252,900	Spartan Energy Acquisition Corp.	3,319,764	3,452,591	
144,000	Thunder Bridge Acquisition Ltd.	1,913,112	1,936,400	
175,500	Tiberius Acquisition Corp.	2,299,352	2,425,875	
132,500	TKK Symphony Acquisition Corp.	1,743,919	1,825,170	
152,500	TPG Pace Holdings Corp.	1,995,210	2,196,436	
66,500	Trident Acquisitions Corp.	858,008	920,568	
150,400	Twelve Seas Investment Co.	2,002,772	2,105,147	
39,496	U.S. Well Services Inc., Warrants, (09Nov23)	36,250	32,352	
69,400	Vantage Energy Acquisition Corp.	926,334	975,872	
152,600	VectoIQ Acquisition Corp.	1,957,834	2,099,962	
	TOTAL FINANCIALS	101,258,446	107,300,385	63.98
	HEALTH CARE			
40,900	Athena Health Inc.	7,207,516	7,366,533	
5,702	Shire PLC, ADR	1,222,057	1,354,792	
60,554	Tesaro Inc.	5,975,616	6,138,123	
	TOTAL HEALTH CARE	14,405,189	14,859,448	8.86
	INDUSTRIALS			
255	L3 Technologies Inc.	61,002	60,456	
67,443	Randgold Resources Ltd., ADR	7,516,490	7,885,147	
	TOTAL INDUSTRIALS	7,577,492	7,945,603	4.74
	INFORMATION TECHNOLOGY			
44,700	Apptio Inc.	2,260,608	2,316,488	
127,000	ARRIS International PLC	5,146,559	5,300,239	
36,500	Imperva Inc.	2,707,164	2,775,022	
30,800	Integrated Device Technology Inc.	1,997,707	2,036,392	
10,900	Orbotech Ltd.	870,711	841,354	
61,600	Red Hat Inc.	14,177,455	14,770,678	
56,926	SendGrid Inc.	3,249,701	3,354,973	
	TOTAL INFORMATION TECHNOLOGY	30,409,905	31,395,146	18.71
	MATERIALS			
38,112	Havilah Mining Corp.	22,867	11,052	
38,500	Neo Performance Materials Inc.	611,425	592,640	
318,835	Sirios Resources Inc.	92,478	44,637	
	TOTAL MATERIALS	726,770	648,329	0.39
	COMMUNICATIONS			
25,000	Kew Media Group Inc., Warrants, (20Mar2022)	31,300	12,500	
87,450	Twenty-First Century Fox Inc., Class 'A'	5,452,002	5,744,890	
	TOTAL COMMUNICATIONS	5,483,302	5,757,390	3.43
	UTILITIES			
85,051	Vectren Corp.	8,113,598	8,357,715	
	TOTAL UTILITIES	8,113,598	8,357,715	4.97
	TOTAL STOCKS	200,468,780	208,690,238	124.44
	TOTAL INVESTMENTS	212,829,254	221,290,097	131.95
	OPTIONS			
	Call Options			
770	Encana Corp., January 2019, \$10.00 USD	43,583	2,628	
2	Endocyte Inc., January 2019, \$24.00 USD	28	7	
76	WestRock Co., January 2019, \$70.00 USD	1,041	5,188	
	Total Call Options	44,652	7,823	0.00
	Put Options			
293	ARRIS Group Inc., May 2019, \$27.50 USD	27,852	26,000	
7	Aspen Insurance Holdings Ltd., March 2019, \$35.00 USD	146	48	
189	Athena Health Inc., March 2019, \$125.00 USD	14,915	59,990	
231	CVS Health Corp., January 2019, \$190.00 USD	112,243	5,834	
190	Endocyte Inc., April 2019, \$30.00 USD	7,585	648	
77	Integrated Device Technology Inc., May 2019, \$40.00 USD	6,107	1,051	
2,310	MEG Energy Corp., January 2019, \$08.00 CAD	124,481	212,521	
180	Red Hat Inc., January 2020, \$165.00 USD	226,165	186,760	
486	Tesaro Inc., March 2019, \$65.00 USD	49,136	43,127	
31	Tesaro Inc., March 2019, \$70.00 USD	2,930	2,751	
8	Tribune Media Co., Class 'A', January 2020, \$40.00 USD	428	573	
850	Twenty-First Century Fox Inc., Class 'A', January 2019, \$40.00 USD	93,547	5,802	
410	Twenty-First Century Fox Inc., Class 'A', January 2019, \$45.00 USD	73,600	5,597	
3	United Technologies Corp., January 2019, \$135.00 USD	1,486	864	
	Total Put Options	740,621	551,566	0.33
	TOTAL OPTIONS	785,273	559,389	0.33
	TOTAL LONG	213,614,527	221,849,486	132.28
	TOTAL SHORT (Schedule 1)	(19,384,660)	(19,062,798)	(11.37)
	TOTAL INVESTMENTS BEFORE TRANSACTION COSTS	194,229,867	202,786,688	120.91
	Transaction Costs (Note 2)	(67,636)		
	TOTAL INVESTMENTS	194,162,231	202,786,688	120.91
	CASH	139,547,117	83,200	83.20
	LOAN PAYABLE	(182,031,954)	(186,888,032)	(111.43)
	OTHER ASSETS, LESS LIABILITIES	12,275,285	7,320	7.32
	TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	167,721,058	167,721,058	100.00

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

Vertex Arbitrage Fund Plus

Schedule of Investments

As at December 31, 2018 (continued)

Schedule 1

Number of Shares	Description	Proceed \$	Fair Value \$	% of Total
	SHORT			
	STOCKS			
	ENERGY			
(99,577)	Husky Energy Inc.	(1,835,481)	(1,405,031)	
	TOTAL ENERGY	<u>(1,835,481)</u>	<u>(1,405,031)</u>	<u>(0.84)</u>
	HEALTH CARE			
(2)	Cigna Corp.	(551)	(519)	
(28,686)	Takeda Pharmaceutical Co. Ltd., ADR	(753,684)	(658,707)	
	TOTAL HEALTH CARE	<u>(754,235)</u>	<u>(659,226)</u>	<u>(0.39)</u>
	INDUSTRIALS			
(15,210)	Luxfer Holdings PLC	(365,521)	(366,082)	
	TOTAL INDUSTRIALS	<u>(365,521)</u>	<u>(366,082)</u>	<u>(0.22)</u>
	INFORMATION TECHNOLOGY			
(332)	Harris Corp.	(62,009)	(61,030)	
(2,725)	KLA-Tencor Corp.	(385,450)	(332,918)	
(27,657)	Twilio Inc.	(3,279,377)	(3,371,730)	
	TOTAL INFORMATION TECHNOLOGY	<u>(3,726,836)</u>	<u>(3,765,678)</u>	<u>(2.25)</u>
	MATERIALS			
(413,378)	Barrick Gold Corp.	(7,345,050)	(7,641,213)	
	TOTAL MATERIALS	<u>(7,345,050)</u>	<u>(7,641,213)</u>	<u>(4.56)</u>
	COMMUNICATIONS			
(414,458)	Sirius XM Holdings Inc.	(3,314,123)	(3,230,821)	
(12,642)	Walt Disney Co. (The)	(1,814,552)	(1,892,433)	
	TOTAL COMMUNICATIONS	<u>(5,128,675)</u>	<u>(5,123,254)</u>	<u>(3.05)</u>
	TOTAL STOCKS	<u>(19,155,798)</u>	<u>(18,960,484)</u>	<u>(11.31)</u>
	TOTAL INVESTMENTS	<u>(19,155,798)</u>	<u>(18,960,484)</u>	<u>(11.31)</u>
	OPTIONS			
	Call Options			
(231)	ARRIS Group Inc., February 2019, \$30.00 USD	(37,858)	(39,422)	
(290)	ARRIS Group Inc., February 2019, \$32.50 USD	(5,674)	(12,867)	
(2)	Athena Health Inc., March 2019, \$135.00 USD	(52)	(27)	
(2,300)	MEG Energy Corp., January 2019, \$11.00 CAD	(89,700)	(12,650)	
(116)	Red Hat Inc., January 2019, \$175.00 USD	(33,050)	(23,754)	
(654)	Tesaro Inc., March 2019, \$75.00 USD	(15,406)	(8,928)	
(138)	Twenty-First Century Fox Inc., Class 'A', January 2019, \$50.00 USD	(7,118)	(942)	
	Total Call Options	<u>(188,858)</u>	<u>(98,590)</u>	<u>(0.06)</u>
	Put Options			
(88)	Red Hat Inc., January 2019, \$170.00 USD	(40,004)	(3,724)	
	Total Put Options	<u>(40,004)</u>	<u>(3,724)</u>	<u>-</u>
	TOTAL OPTIONS	<u>(228,862)</u>	<u>(102,314)</u>	<u>(0.06)</u>
	TOTAL SHORT	<u>(19,384,660)</u>	<u>(19,062,798)</u>	<u>(11.37)</u>

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

Vertex Arbitrage Fund Plus

Notes to Financial Statements

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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 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 accounting

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued 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, 2019.

3. Significant accounting policies

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

a) Classification

i. Assets

The Fund classifies its investments based on both Fund's business model for managing those financial assets and contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investment are measured at fair value through profit or loss.

ii. Liabilities

The fund makes short sales in which borrowed security is sold on anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value

Vertex Arbitrage Fund Plus

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through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

iii. Other financial assets and other financial liabilities

Other financial assets (held for collection) and other financial liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where appropriate at the contract's effective interest rate. Due to their short-term nature, the fair value of other financial assets and financial liabilities carried at amortized cost approximates their carrying amount

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities as fair value through profit or loss.

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 and derivatives.

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) Income 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

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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. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. 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 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 recognized 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.

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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 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

Vertex Arbitrage Fund Plus

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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'.

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

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 2.25% to 2.50% (December 31, 2017 – 1.25% to 1.50%) for the year ending December 31, 2018. 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 year ended December 31, 2018, the Fund borrowed a minimum of US\$54,446,860 (CAD\$67,658,390) and a maximum of US\$151,811,384 (CAD\$196,550,199) [December 31, 2017 – minimum of US\$210 (CAD\$281) and a maximum of \$71,756,404 (CAD\$91,597,049)] under this loan facility. As at December 31, 2018, there were US\$136,894,251 (CAD\$186,888,032) borrowings [December 31, 2017 – US\$58,725,394 (CAD\$73,817,820)]. During the year ended December 31, 2018, the Fund paid US\$2,236,247 (CAD\$2,908,192) [December 31, 2017 - US\$389,999 (CAD\$496,896)] of interest.

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

Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of

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redeemable units for the year per class, divided by the weighted average units outstanding during the year for that class.

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, 2018 and 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, 2018 and 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.

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4. Adoption of IFRS 9

IFRS 9, Financial Instruments

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to measurement of financial instruments as outlined in note 3. The Fund's investment portfolio previously designated as FVTPL or held for trading are now classified as fair value through profit or loss and other financial assets held for collection previously classified as loans and receivables are now classified at amortized cost. There were no material impact on the adoption from application of the new impairment model. There were no other standards, amendment to standards or interpretations that are effective for annual periods beginning January 1, 2018 that have a material effect on the financial statements of the Fund.

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.

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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.

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, 2018 and December 31, 2017.

	Financial Assets at fair value as at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Stocks - Long	\$ 208,080,047	\$ -	\$ -	\$ 208,080,047
Bonds - Long	-	12,599,859	-	12,599,859
Rights	119,410	-	-	119,410
Warrants	243,520	247,261	-	490,781
Options	559,389	-	-	559,389
	\$ 209,002,366	\$ 12,847,120	\$ -	\$ 221,849,486

	Financial Liabilities at fair value as at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Stocks - Short	\$ (18,960,484)	\$ -	\$ -	\$ (18,960,484)
Options	(102,314)	-	-	(102,314)
	\$ (19,062,798)	\$ -	\$ -	\$ (19,062,798)

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	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, 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.

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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 – Warrants are classified as level 1 when they are exchange traded and prices are readily available on the market. Where they are not traded, 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, 2018 and 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, 2018 and December 31, 2017.

There were no transfers between levels 1 and 2 for assets and liabilities held at December 31, 2018 and December 31, 2017.

7. 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. There were no interest in unconsolidated structured entities as at December 31, 2018.

The table below set out interests held by the Fund in unconsolidated structured entities as at December 31, 2017. The maximum exposure to loss is the carrying amount of the financial assets held:

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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, 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.

8. Redeemable units

Redeemable units transactions include amounts representing unit subscriptions, unit redemptions, and units reinvested. Units are redeemable monthly. 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 11, 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 during the year:

	December 31, 2018		December 31, 2017	
	Class B	Class F	Class B	Class F
Units - Beginning of year	584,133	9,292,964	-	-
Redeemable units issued	593,476	7,140,176	588,901	9,911,849
Redeemable units reinvested	-	80,811	7,675	113,281
Redeemable units redeemed	(205,811)	(1,996,957)	(12,443)	(732,166)
Units - End of year	971,798	14,516,994	584,133	9,292,964

Certain directors and/or related parties of the Fund held 1.40% of the Fund units at December 31, 2018 (December 31, 2017 – 3.35%).

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9. 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.

Management fees amounting to \$1,493,068 were incurred for the year ended December 31, 2018 (December 31, 2017 – \$474,586) of which \$158,780 (December 31, 2017 – \$97,997) were outstanding at year 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 \$1,441,739 were incurred for the year ended December 31, 2018 (December 31, 2017 – \$353,598) of which \$412,641 (December 31, 2017 – \$nil) were outstanding at year 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,

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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.

10. 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 \$16,912 (December 31, 2017 - \$7,604) in soft dollar commissions during the year.

11. 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, 2018 and December 31, 2017, the overall market exposures were as follows:

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	At December 31 2018		At December 31, 2017	
	Fair Value	% Net Assets	Fair Value	% Net Assets
Equity securities (Long)	\$ 208,690,238	124.44%	\$ 116,909,669	115.90%
Derivative assets				
Option contracts	559,389	0.33%	172,558	0.18%
Total market exposure	\$ 209,249,627	124.77%	\$ 117,082,227	116.08%

	At December 31 2018		At December 31, 2017	
	Fair Value	% Net Assets	Fair Value	% Net Assets
Equity securities (Short)	\$ (18,960,484)	(11.31%)	\$ (32,931,250)	(32.65%)
Derivative liabilities				
Option contracts	(102,314)	(0.06%)	(724,118)	(0.72%)
Total market exposure	\$ (19,062,798)	(11.38%)	\$ (33,655,368)	(33.37%)

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, 2018, 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 \$9,509,341 (December 31, 2017 – \$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, 2018, 7.51% (December 31, 2017 – 1.53%) of the Fund's investment portfolio includes interest bearing corporate bonds and foreign bonds, as well as cash and (111.43%) (December 31, 2018 – (73.18%)) loans payable. 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.

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	Less than 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2018				
Financial Assets				
Bonds*	\$ -	\$ 9,955,721	\$ 2,644,138	\$ 12,599,859
Financial Liabilities				
Loan payable	\$ (186,888,032)	\$ -	\$ -	\$ (186,888,032)
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, 2018, 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 year would amount to approximately \$85,513 (December 31, 2017 – \$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 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, 2018 and 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:

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As at December 31, 2018					
	Monetary exposure	Non-monetary exposure *	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	\$ (174,610,534)	\$ 178,067,412	\$ 3,456,878	2.06	\$ 172,844
Total	\$ (174,610,534)	\$ 178,067,412	\$ 3,456,878	2.06	\$ 172,844

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, 2018 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, 2018 and 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.

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	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
As at December 31, 2018					
Liabilities					
Financial liabilities at fair value					
Securities sold short	\$ -	\$ 18,960,484	\$ -	\$ -	\$ 18,960,484
Written options	-	102,314	-	-	102,314
Management fees payable	-	158,780	-	-	158,780
Performance fees payable	-	412,641	-	-	412,641
Dividends payable on securities sold short	-	73,430	-	-	73,430
Loan payable	186,888,032	-	-	-	186,888,032
Due to broker	-	285,177	-	-	285,177
Redemptions payable	-	546,444	-	-	546,444
Redeemable units	167,721,058	-	-	-	167,721,058

	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

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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, 2018 and December 31, 2017 are noted below:

Portfolio by rating category	Percentage of net assets	
	December 31, 2018	December 31, 2017
A/A	0.30%	-0.83%
Below BBB	7.21%	2.36%
Total	7.51%	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 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:

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Portfolio by Category	Percentage of Net Assets (%)	
	December 31, 2018	December 31, 2017
Long - Bonds - Corporate Bonds	7.51	2.36
Long - Stocks - Consumer Discretionary	7.73	18.63
Long - Stocks - Consumer Staples	1.92	-
Long - Stocks - Energy	9.71	8.58
Long - Stocks - Financials	63.98	37.92
Long - Stocks - Health Care	8.86	5.50
Long - Stocks - Industrials	4.74	12.05
Long - Stocks - Information Technology	18.71	20.38
Long - Stocks - Materials	0.39	4.21
Long - Stocks - Communications	3.43	0.59
Long - Stocks - Utilities	4.97	8.04
Long - Call Options	-	0.02
Long - Put Options	0.33	0.16
Short - Bonds - Corporate Bonds	-	(0.83)
Short - Stocks - Consumer Discretionary	-	(9.24)
Short - Stocks - Energy	(0.84)	(7.84)
Short - Stocks - Health Care	(0.39)	(2.20)
Short - Stocks - Industrials	(0.22)	(1.68)
Short - Stocks - Information Technology	(2.25)	(5.01)
Short - Stocks - Materials	(4.56)	(1.05)
Short - Stocks - Communications	(3.05)	(1.21)
Short - Stocks - Utilities	-	(2.84)
Short - Mutual Fund	-	(1.58)
Short - Call Options	(0.06)	(0.72)
Cash	83.20	77.26
Other Assets, Less Liabilities	7.32	11.68
Loan Payable	(111.43)	(73.18)
	<u>100.00</u>	<u>100.00</u>

12. 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 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.

13. 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 periods ended December 31, 2018 and December 31, 2017 is calculated as follows:

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Class B	December 31, 2018	December 31, 2017
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 506,144	\$ (34,437)
Weighted average units outstanding during the year	827,431	260,464
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.61	(0.13)

Class F	December 31, 2018	December 31, 2017
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 7,780,095	\$ 469,948
Weighted average units outstanding during the year	11,493,036	4,762,886
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.68	0.10