

# **Vertex Arbitrage Fund Plus**

Semi - Annual Financial Statements  
**June 30, 2018 (Unaudited)**

\*These financial statements have not been reviewed by an independent auditor

## Vertex Arbitrage Fund Plus

Statement of Financial Position

As at June 30, 2018 and December 31, 2017

	June 30, 2018 (unaudited)	December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Investments	\$ 154,222,345	\$ 83,474,156
Investments, pledged as collateral	102,666,140	35,816,181
Cash	118,847,625	77,931,456
Due from broker	11,293,491	1,707,985
Accrued interest	23	30,373
Dividends receivable	447,459	56,062
Other receivable	-	-
Subscriptions receivable	-	13,094,543
Derivative financial instruments		
Options	1,029,579	172,558
	<u>388,506,662</u>	<u>212,283,314</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Securities sold short	\$ 88,940,198	\$ 33,768,994
Management fees payable (Note 9)	125,883	97,997
Accrued performance fees (Note 9)	635,144	-
Interest payable on securities sold short	-	494
Dividends payable on securities sold short	188,525	80,145
Loan payable (Note 3)	155,872,121	73,817,820
Redemptions payable	-	157,863
Due to broker	10,871,532	2,769,935
Derivative financial instruments		
Written Options	129,332	724,118
	<u>256,762,735</u>	<u>111,417,366</u>
<b>Net Assets attributable to holders of redeemable units</b>	<b>\$ 131,743,927</b>	<b>\$ 100,865,948</b>
<b>Net Assets attributable to holders of redeemable units per Class</b>		
Class B	\$ 9,133,291	\$ 5,940,174
Class F	\$ 122,610,636	\$ 94,925,774
<b>Net Assets attributable to holders of redeemable units per unit</b>		
Class B	\$ 10.55	\$ 10.17
Class F	\$ 10.65	\$ 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 periods ended June 30 (unaudited)

	2018	2017
<b>Investment income</b>		
Foreign exchange gain (loss) on cash	(3,288,425) \$	318,975
Change in unrealized foreign exchange gain (loss) on cash	(5,283)	5,843
Change in unrealized foreign exchange gain (loss) on loan payable	(2,533,284)	1,172,882
Net gain (loss) on investments and derivatives		
Dividends	1,317,332	180,911
Dividends, paid on shorts	(797,937)	(187,328)
Interest for distribution purposes	614,493	31,842
Interest, paid on shorts	(7,082)	-
Net realized gain	4,830,113	419,269
Net change in unrealized appreciation (depreciation)	7,775,130	(617,887)
<b>Total investment income</b>	<b>7,905,057</b>	<b>1,324,507</b>
<b>Expenses (Note 9)</b>		
Management fees	658,783	75,625
Securities borrowing fees	236,332	23,597
Performance fees	630,384	170,956
Securityholder reporting costs	43,769	3,226
Other administrative expenses	14,227	1,640
Audit fees	27,649	-
Interest expense on loan payable	951,183	53,989
Transaction costs (Note 3)	320,278	75,206
Withholding tax	85,015	10,394
	<b>2,967,620</b>	<b>414,633</b>
<b>Net investment income before absorbed expenses</b>	<b>4,937,437</b>	<b>909,874</b>
<b>Increase in net assets attributable to holders of redeemable units</b>	<b>4,937,437</b>	<b>909,874</b>
<b>Increase in net assets attributable to holders of redeemable units per Class</b>		
Class B	\$ 317,504	\$ 27,658
Class F	\$ 4,619,933	\$ 882,216
<b>Increase in net assets attributable to holders of redeemable units per Class per unit</b>		
Class B	\$ 0.85	\$ 0.41
Class F	\$ 0.89	\$ 0.39

(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 periods ended June 30 (unaudited)

	Class B			
	2018	2017		
Net Assets attributable to holders of redeemable units, beginning of period	\$ 5,940,174	\$ -		
Increase in net assets attributable to holders of redeemable units	317,504	27,658		
<b>Capital transactions (Note 8)</b>				
Proceeds from issuance of redeemable units	3,802,492	2,376,849		
Redemption of redeemable units	(926,879)	(131)		
	<u>2,875,613</u>	<u>2,376,718</u>		
Net Assets attributable to holders of redeemable units, end of period	\$ 9,133,291	\$ 2,404,376		
	Class F		Total	
	2018	2017	2018	2017
Net Assets attributable to holders of redeemable units, beginning of period	\$ 94,925,774	\$ -	\$ 100,865,948	\$ -
Increase in net assets attributable to holders of redeemable units	4,619,933	882,216	4,937,437	909,874
<b>Capital transactions (Note 8)</b>				
Proceeds from issuance of redeemable units	37,869,836	43,759,933	41,672,328	46,136,782
Redemption of redeemable units	(14,804,907)	(940,438)	(15,731,786)	(940,569)
	<u>23,064,929</u>	<u>42,819,495</u>	<u>25,940,542</u>	<u>45,196,213</u>
Net Assets attributable to holders of redeemable units, end of period	\$ 122,610,636	\$ 43,701,711	\$ 131,743,927	\$ 46,106,087

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

## Vertex Arbitrage Fund Plus

Statement of Cash Flows

For the periods ended June 30 (unaudited)

	2018	2017
<b>Operating activities</b>		
Increase in net assets attributable to holders of redeemable units	\$ 4,937,437	\$ 909,874
Adjustment for non-cash items:		
Net change in unrealized (appreciation) depreciation on investments and derivatives	(7,775,130)	617,887
Net realized gain on investments and derivatives	(4,830,113)	(419,269)
Change in unrealized foreign exchange (gain) loss on cash	5,283	(5,843)
Change in unrealized foreign exchange (gain) loss on loan payable	2,533,284	(1,172,882)
	<u>(5,129,239)</u>	<u>(70,233)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest	30,350	(24,209)
Increase in dividends receivable	(391,397)	(83,145)
Decrease (increase) in other receivable	-	(237,382)
Increase in management fee payable	27,886	32,604
Decrease in interest payable on securities sold short	(494)	-
Increase in dividends payable on securities sold short	108,380	81,319
Increase in accrued performance fees	635,144	162,081
	<u>409,869</u>	<u>(68,732)</u>
Proceeds on disposition of investments and derivatives, including proceeds received on shorts	503,909,845	85,313,654
Purchase of investments and derivatives, including cover for shorts	<u>(576,667,262)</u>	<u>(134,075,185)</u>
	<u>(72,757,417)</u>	<u>(48,761,531)</u>
<b>Net cash used in operating activities</b>	<u>(77,476,787)</u>	<u>(48,900,496)</u>
<b>Financing activities</b>		
Proceeds from issuance of redeemable units**	54,713,909	35,844,711
Redemption of redeemable units**	(15,836,687)	(171,826)
Loan Payable	79,521,017	42,534,009
<b>Net cash from financing activities</b>	<u>118,398,239</u>	<u>78,206,894</u>
<b>Increase in cash</b>	40,921,452	29,306,398
<b>Change in unrealized foreign exchange (gain) loss on cash</b>	(5,283)	5,843
<b>Cash, Beginning of period</b>	<u>77,931,456</u>	-
<b>Cash, End of period</b>	<u>\$ 118,847,625</u>	<u>\$ 29,312,241</u>
<b>Supplemental Information (included in operating activities)</b>		
Cash interest paid on short positions	7,082	-
Cash dividend paid on short positions	689,557	106,009
Cash received from interest, net of withholding taxes	644,843	7,633
Cash received from dividends, net of withholding taxes	840,920	87,372

\*\* The amounts of proceeds and redemptions exclude non cash items such as switches and exchanges between classes for June 30, 2018 amounting to \$52,962 (June 30, 2017- \$nil).

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

## Vertex Arbitrage Fund Plus

Schedule of Investments

As at June 30, 2018 (Unaudited)

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
<b>LONG</b>						
<b>BONDS</b>						
<b>Corporate Bonds</b>						
205,400	Hydro One Ltd., Convertible	4.000%	30-Sep-27	51,096	56,464	
	<b>Total Corporate Bonds</b>			51,096	56,464	0.04
	<b>TOTAL BONDS</b>			51,096	56,464	0.04
<b>STOCKS</b>						
<b>CONSUMER DISCRETIONARY</b>						
162,000	LF Capital Acquisition Corp.			2,156,949	2,144,641	
71,800	Opes Acquisition Corp.			931,367	949,582	
86,563	Pinnacle Entertainment Inc.			3,590,936	3,838,476	
204,000	Trinity Merger Corp.			2,629,278	2,697,977	
152,700	Twenty-First Century Fox Inc., Class 'A'			9,665,954	9,975,121	
	<b>TOTAL CONSUMER DISCRETIONARY</b>			18,974,484	19,605,797	14.89
<b>CONSUMER STAPLES</b>						
72,900	Pinnacle Foods Inc.			6,351,912	6,235,219	
	<b>TOTAL CONSUMER STAPLES</b>			6,351,912	6,235,219	4.73
<b>ENERGY</b>						
468,750	AltaGas Ltd., Subscription Receipts			12,086,866	12,726,563	
71,800	Andeavor			12,936,371	12,382,326	
9,800	Enbridge Inc.			429,210	460,600	
33,019	Enbridge Inc.			1,446,888	1,549,247	
287,500	Enbridge Income Fund Holdings Inc.			8,457,466	9,269,000	
633,600	Raging River Exploration Inc.			3,600,906	3,611,520	
194,310	RSP Permian Inc.			11,172,773	11,244,893	
	<b>TOTAL ENERGY</b>			50,130,480	51,244,149	38.91
<b>FINANCIALS</b>						
125,000	Acasta Enterprises Inc., Warrants, (08Sept20)			3,145	1,875	
184,000	Alignvest Acquisition II Corp., Class 'A'			1,788,766	1,794,000	
16,900	Alta Mesa Resources Inc., Warrants, (23Mar24)			15,147	31,105	
90,000	AV Homes Inc.			2,494,778	2,532,016	
108,000	Big Rock Partners Acquisition Corp.			1,397,037	1,494,363	
143,500	Cannabis Strategies Acquisition Corp., Class 'A', Restricted			1,415,325	1,427,825	
135,000	Cannabis Strategies Acquisition Corp., Rights, (21Dec25)			12,850	81,000	
143,500	Cannabis Strategies Acquisition Corp., Warrants, (21Dec25)			20,390	121,975	
132,000	Capitol Investment Corp. IV			1,686,164	1,787,398	
125,000	CM Seven Star Acquisition Corp.			1,607,988	1,982,657	
86,900	DCT Industrial Trust Inc.			7,400,957	7,623,441	
143,500	DFB Healthcare Acquisitions Corp.			1,809,271	1,917,650	
67,000	Exela Technologies Inc., Warrants, (01Jan23)			37,055	28,186	
108,000	Far Point Acquisition Corp.			1,406,052	1,446,799	
114,400	Federal Street Acquisition Corp.			1,454,329	1,537,799	
140,000	GGP Inc.			3,692,813	3,760,162	
89,000	GigCapital Inc.			1,150,234	1,228,540	
100,000	Gordon Pointe Acquisition Corp.			1,246,514	1,355,404	
81,000	Gores Holdings II Inc.			1,108,446	1,134,083	
192,732	Gramercy Property Trust			6,844,106	6,922,208	
72,300	GS Acquisition Holdings Corp.			935,106	971,498	
164,400	Haymaker Acquisition Corp.			2,117,025	2,185,059	
36,000	HL Acquisitions Corp.			477,540	475,640	
47,500	Hunter Maritime Acquisition Corp.			596,001	616,965	
23,700	Hunter Maritime Acquisition Corp., Warrants, (11Oct2021)			13,747	13,398	
126,000	Industrea Acquisition Corp.			1,577,160	1,722,717	
163,000	Kayne Anderson Acquisition Corp.			2,141,577	2,217,880	
38,198	LaSalle Hotel Properties			1,669,250	1,718,928	
158,300	Legacy Acquisition Corp.			2,019,172	2,085,253	
72,000	Leisure Acquisition Corp.			917,977	949,861	
143,800	Leo Holdings Corp.			1,817,920	1,922,605	
109,000	Matlin & Partners Acquisition Corp.			1,439,483	1,511,782	
90,000	Mosaic Acquisition Corp.			1,140,731	1,185,551	
233,600	MTech Acquisition Corp.			2,907,916	3,184,650	
252,414	MTGE Investment Corp.			6,501,958	6,503,987	
72,000	Mudrick Capital Acquisition Corp.			912,669	970,212	
107,800	Nebula Acquisition Corp.			1,358,080	1,427,113	
72,000	New Frontier Corp.			955,080	951,281	
125,650	One Madison Corp.			1,569,689	1,668,376	
121,800	Osprey Energy Acquisition Corp.			1,457,043	1,625,262	
17,900	Osprey Energy Acquisition Corp., Warrants, (15Aug22)			31,615	37,652	
76,400	Pensare Acquisition Corp.			972,306	1,064,656	
143,500	Platinum Eagle Acquisition Corp.			1,801,818	1,895,955	
286,800	Pure Acquisition Corp.			3,630,577	3,864,677	
138,100	Pure Multi-Family REIT L.P., Class 'A'			1,274,474	1,252,567	
16,500	Purple Innovation Inc., Warrants, (13Aug20)			16,078	14,859	
135,800	Regalwood Global Energy Ltd.			1,727,435	1,812,074	
150,000	Sentinel Energy Services Inc.			1,918,939	1,989,723	
134,000	Social Capital Hedosophia Holdings Corp.			1,711,127	1,932,509	
144,000	Thunder Bridge Acquisition Ltd.			1,913,112	1,900,668	
165,000	Tiberius Acquisition Corp.			2,160,510	2,201,710	
143,500	TPG Pace Holdings Corp.			1,870,914	1,980,849	
34,883	TPG Pace Energy Holdings Corp., Class 'A', Warrants, (21Jun22)			-	126,112	
60,000	Trident Acquisitions Corp.			772,740	791,945	
181,000	Twelve Seas Investment Co.			2,409,925	2,393,794	
24,819	Validus Holdings Ltd.			2,090,969	2,205,673	
129,000	Vantage Energy Acquisition Corp.			1,716,882	1,763,734	
136,000	VectoIQ Acquisition Corp.			1,740,256	1,799,599	
104,200	XL Group Ltd.			7,558,129	7,664,396	

## TOTAL FINANCIALS

104,434,297 108,809,656 82.59

## Vertex Arbitrage Fund Plus

Schedule of Investments

As at June 30, 2018 (Unaudited) (continued)

Number of Shares/Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
<b>HEALTH CARE</b>						
37,900	Aetna Inc.			8,659,355	9,142,931	
64,500	Aurora Cannabis Inc.			3,750,481	3,731,825	
9,400	Envision Healthcare Holdings Inc.			241,181	253,706	
27,452	MedReleaf Corp.			5,799,242	6,091,953	
	<b>TOTAL HEALTH CARE</b>			18,450,259	19,220,415	14.59
<b>INDUSTRIALS</b>						
72,234	Rockwell Collins Inc.			12,396,764	12,789,540	
47,662	Spectra Energy Partners L.P.			1,921,452	2,219,376	
	<b>TOTAL INDUSTRIALS</b>			14,318,216	15,008,916	11.39
<b>INFORMATION TECHNOLOGY</b>						
29,710	Cavium Inc.			3,223,871	3,378,539	
242,000	Mitel Networks Corp.			3,454,377	3,490,054	
77,675	NXP Semiconductors NV			11,331,690	11,158,154	
81,500	Orbotech Ltd.			6,691,267	6,621,498	
	<b>TOTAL INFORMATION TECHNOLOGY</b>			24,701,205	24,648,245	18.71
<b>TELECOMMUNICATIONS SERVICES</b>						
133,000	Cobalt 27 Capital Corp.			1,516,200	1,173,060	
1,370,000	Dalradian Resources Inc.			1,980,893	1,972,800	
514,500	Klondex Mines Ltd.			1,537,650	1,562,455	
742,820	Sirios Resources Inc.			215,454	148,564	
	<b>TOTAL MATERIALS</b>			10,448,307	10,074,399	7.65
<b>TELECOMMUNICATIONS</b>						
8,667	AT&T Inc.			372,876	365,864	
25,000	Kew Media Group Inc., Warrants, (20Mar22)			31,300	20,000	
	<b>TOTAL TELECOMMUNICATIONS</b>			404,176	385,864	0.29
<b>UTILITIES</b>						
113,300	Superior Plus Corp.			1,416,548	1,446,841	
12,000	Superior Plus Corp.			152,762	152,520	
	<b>TOTAL UTILITIES</b>			1,569,310	1,599,361	1.21
<b>TOTAL STOCKS</b>						
				249,782,646	256,832,021	194.96
<b>TOTAL INVESTMENTS</b>						
				249,833,742	256,888,485	195.00
<b>OPTIONS</b>						
<b>Call Options</b>						
287	AT&T Inc., July 2018, \$34.00 USD			15,781	1,887	
144	Twenty-First Century Fox Inc., Class 'A', July 2018, \$40.00 USD			30,742	187,416	
	<b>Total Call Options</b>			46,523	189,303	0.14
<b>Put Options</b>						
18	Alcoa Corp., August 2018, \$30.00 USD			128	355	
368	Envision Healthcare Corp., December 2018, \$40.00 USD			21,354	37,494	
720	GGP Inc., August 2018, \$20.00 USD			52,259	42,595	
339	NXP Semiconductors NV, July 2018, \$110.00 USD			241,663	258,040	
365	NXP Semiconductors NV, August 2018, \$110.00 USD			397,989	403,071	
3	Rockwell Collins Inc., January 2019, \$135.00 USD			1,486	1,538	
36	Rockwell Collins Inc., October 2018, \$135.00 USD			18,459	16,801	
72	Twenty-First Century Fox Inc., Class 'A', January 2019, \$44.00 USD			9,625	25,084	
335	Twenty-First Century Fox Inc., Class 'A', January 2019, \$45.00 USD			62,109	50,647	
4	Twenty-First Century Fox Inc., Class 'A', January 2019, \$46.00 USD			801	421	
13	XL Group PLC, October 2018, \$50.00 USD			763	4,230	
	<b>Total Put Options</b>			806,636	840,276	0.64
	<b>TOTAL OPTIONS</b>			853,159	1,029,579	0.78
<b>TOTAL LONG</b>						
				250,686,901	257,918,064	195.78
<b>TOTAL SHORT (Schedule 1)</b>						
				(88,127,030)	(89,069,530)	(67.62)
<b>TOTAL INVESTMENTS BEFORE TRANSACTION COSTS</b>						
				162,559,871	168,848,534	128.16
<b>Transaction Costs (Note 2)</b>						
				(104,046)		
<b>TOTAL INVESTMENTS</b>						
				162,455,825	168,848,534	128.16
<b>CASH</b>						
					118,847,625	90.21
<b>LOAN PAYABLE</b>						
					(155,872,121)	(118.31)
<b>OTHER ASSETS, LESS LIABILITIES</b>						
					(80,111)	(0.06)
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>						
					131,743,927	100.00

\*Denotes manually priced securities using a fair valuation model

## Vertex Arbitrage Fund Plus

Schedule of Investments

As at June 30, 2018 (Unaudited) (continued)

Schedule 1

Number of Shares	Description	Coupon Rate %	Maturity Date	Proceed \$	Fair Value \$	% of Total
<b>SHORT</b>						
<b>STOCKS</b>						
<b>CONSUMER DISCRETIONARY</b>						
(36,335)	Penn National Gaming Inc.			(1,446,481)	(1,604,521)	
(12,642)	Walt Disney Co. (The)			(1,771,194)	(1,741,922)	
	<b>TOTAL CONSUMER DISCRETIONARY</b>			<u>(3,217,675)</u>	<u>(3,346,443)</u>	(2.54)
<b>CONSUMER STAPLES</b>						
(47,340)	Conagra Brands Inc.			(2,263,318)	(2,223,676)	
(31,752)	CVS Health Corp.			(2,852,510)	(2,686,147)	
	<b>TOTAL CONSUMER STAPLES</b>			<u>(5,115,828)</u>	<u>(4,909,823)</u>	(3.73)
<b>ENERGY</b>						
(468,750)	AltaGas Ltd.			(12,059,842)	(12,726,562)	
(846,660)	Baytex Energy Corp.			(3,744,365)	(3,699,904)	
(62,167)	Concho Resources Inc.			(11,372,611)	(11,307,048)	
(211,614)	Enbridge Inc.			(8,951,178)	(9,945,858)	
(81,249)	Enbridge Inc.			(3,332,018)	(3,812,192)	
(114,004)	Marathon Petroleum Corp.			(11,264,995)	(10,515,255)	
	<b>TOTAL ENERGY</b>			<u>(50,725,009)</u>	<u>(52,006,819)</u>	(39.48)
<b>FINANCIALS</b>						
(238,541)	Annaly Capital Management Inc.			(3,242,616)	(3,226,923)	
(25,677)	Brookfield Property Partners L.P.			(638,558)	(642,044)	
(88,656)	Prologis Inc.			(7,454,743)	(7,656,274)	
	<b>TOTAL FINANCIALS</b>			<u>(11,335,917)</u>	<u>(11,525,241)</u>	(8.75)
<b>HEALTH CARE</b>						
(33,602)	Aurora Cannabis Inc.			(280,530)	(312,499)	
(129,115)	Takeda Pharmaceutical Co. Ltd., ADR			(3,437,561)	(3,547,588)	
	<b>TOTAL HEALTH CARE</b>			<u>(3,718,091)</u>	<u>(3,860,087)</u>	(2.93)
<b>INDUSTRIALS</b>						
(24,055)	United Technologies Corp.			(3,868,932)	(3,953,937)	
	<b>TOTAL INDUSTRIALS</b>			<u>(3,868,932)</u>	<u>(3,953,937)</u>	(3.00)
<b>INFORMATION TECHNOLOGY</b>						
(20,375)	KLA-Tencor Corp.			(2,983,266)	(2,746,368)	
(62,411)	Marvell Technology Group Ltd.			(1,774,554)	(1,759,122)	
	<b>TOTAL INFORMATION TECHNOLOGY</b>			<u>(4,757,820)</u>	<u>(4,505,490)</u>	(3.42)
<b>MATERIALS</b>						
(133,000)	Cobalt 27 Capital Corp.			(1,612,260)	(1,174,390)	
(212,782)	Hecla Mining Co.			(977,964)	(973,474)	
(19,900)	KapStone Paper and Packaging Corp.			(910,441)	(902,573)	
	<b>TOTAL MATERIALS</b>			<u>(3,500,665)</u>	<u>(3,050,437)</u>	(2.32)
<b>UTILITIES</b>						
(9,449)	Hydro One Ltd.			(185,789)	(189,358)	
(125,300)	Superior Plus Corp.			(1,577,844)	(1,592,563)	
	<b>TOTAL UTILITIES</b>			<u>(1,763,633)</u>	<u>(1,781,921)</u>	(1.35)
	<b>TOTAL STOCKS</b>			<u>(88,003,570)</u>	<u>(88,940,198)</u>	(67.52)
	<b>TOTAL INVESTMENTS</b>			<u>(88,003,570)</u>	<u>(88,940,198)</u>	(67.52)
<b>OPTIONS</b>						
<b>Put Options</b>						
(67)	NXP Semiconductors NV, July 2018, \$95.00 USD			(17,912)	(10,570)	
(365)	NXP Semiconductors NV, August 2018, \$95.00 USD			(105,548)	(118,762)	
	<b>Total Put Options</b>			<u>(123,460)</u>	<u>(129,332)</u>	(0.10)
	<b>TOTAL OPTIONS</b>			<u>(123,460)</u>	<u>(129,332)</u>	(0.10)
	<b>TOTAL SHORT</b>			<u>(88,127,030)</u>	<u>(89,069,530)</u>	(67.62)



# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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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 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 interim financial statements were authorized for issue by the Manager on August 29, 2018.

### 3. Significant accounting policies

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

##### *a) Classification*

The classification of a financial instrument depends upon its characteristics as well as the purpose for which it was acquired. This initial classification is not subsequently changed except in very limited circumstances.

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9, Financial Instruments ("IFRS 9"). Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL").

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.

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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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 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

# **Vertex Arbitrage Fund Plus**

## **Notes to Financial Statements**

**June 30, 2018 (Unaudited)**

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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 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.

# **Vertex Arbitrage Fund Plus**

## **Notes to Financial Statements**

**June 30, 2018 (Unaudited)**

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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’.

### **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.

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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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 1.50% to 1.75% (June 30, 2017 – 0% to 0.25%) for the period ending June 30, 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 period ended June 30, 2018, the Fund borrowed a minimum of US\$54,446,860 (CAD\$67,658,390) and a maximum of US\$120,494,322 (CAD\$158,407,861) [December 31, 2017 – minimum of US\$210 (CAD\$281) and a maximum of US\$71,756,404 (CAD\$91,597,049)] under this loan facility. As at June 30, 2018, there were US\$118,565,490 (CAD\$155,872,121) borrowings [December 31, 2017 – US\$58,725,394 (CAD\$73,817,820)]. During the period ended June 30, 2018, the Fund paid US\$743,053 (CAD\$951,185) [June 30, 2017 - US\$39,843 (CAD\$53,989)] 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.

### 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

# **Vertex Arbitrage Fund Plus**

## **Notes to Financial Statements**

**June 30, 2018 (Unaudited)**

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June 30, 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, 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.

## **4. Future Accounting Change**

### **IFRS 9 Transition**

Effective January 1, 2018, the Fund adopted IFRS 9 Financial Instruments. The new standard requires financial assets to be carried at amortized cost or fair value, with changes in fair value recognized in fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgement.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities were classified as FVTPL. This classification differs from the classification under the previous IAS 39, therefore there were changes in categorization of certain financial assets and financial liabilities upon transition to IFRS 9. Effective January 1, 2018, all financial assets that had previously been designated as FVTPL

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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and all financial assets and liabilities that were previously classified as financial assets and financial liabilities at amortized cost were reclassified as FVTPL. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments and were classified as FVTPL remain unchanged upon transition to IFRS 9.

There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to 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.

#### **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 IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

### 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.

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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 June 30, 2018 and December 31, 2017.

### Financial Assets at fair value as at June 30, 2018

	Level 1	Level 2	Level 3	Total
Stocks - Long	\$ 255,182,800	\$ 1,173,060	-	\$ 256,355,860
Bonds - Long	-	56,464	-	56,464
Rights	81,000	-	-	81,000
Warrants	395,161	-	-	395,161
Options	1,029,579	-	-	1,029,579
	<u>\$ 256,688,540</u>	<u>\$ 1,229,524</u>	<u>\$ -</u>	<u>\$ 257,918,064</u>

### Financial Liabilities at fair value as at June 30, 2018

	Level 1	Level 2	Level 3	Total
Stocks - Short	\$ (88,940,198)	-	-	\$ (88,940,198)
Options	(129,332)	-	-	(129,332)
	<u>\$ (89,069,530)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,069,530)</u>

### 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**

### **June 30, 2018 (Unaudited)**

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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 June 30, 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 June 30, 2018 and December 31, 2017.

**Vertex Arbitrage Fund Plus**  
**Notes to Financial Statements**  
**June 30, 2018 (Unaudited)**

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There were no transfers between levels 1 and 2 for assets and liabilities held at June 30, 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 June 30, 2018.

The tables 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:

As at December 31, 2017

<b>Holding</b>	<b>% of Net Assets</b>	<b>Country or Establishment &amp; Principal Place of Business</b>	<b>% of Ownership Interest</b>
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

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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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 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:

	June 30, 2018		June 30, 2017	
	Class B	Class F	Class B	Class F
Units - Beginning of period	584,133	9,292,964	-	-
Redeemable units issued	371,151	3,654,715	232,062	4,306,980
Redeemable units reinvested	-	-	-	-
Redeemable units redeemed	(89,962)	(1,431,651)	(13)	(90,963)
Units - End of period	865,322	11,516,028	232,049	4,216,017

Certain directors and/or related parties of the Fund held 0.91% of the Fund units at June 30, 2018 (December 31, 2017 – 3.35%).

### 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 1business day of the month plus applicable taxes.

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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Management fees amounting to \$658,782 were incurred for the period ended June 30, 2018 (June 30, 2017 – \$75,625) of which \$125,883 (December 31, 2017 – \$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 \$630,384 were incurred for the period ended June 30, 2018 (June 30, 2017 - \$170,956) of which \$635,144 (December 31, 2017 – \$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.

## **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 \$9,645 (June 30, 2017 - \$864) in soft dollar commissions during the period.

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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### 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 June 30, 2018 and December 31, 2017, the overall market exposures were as follows:

	At June 30 2018		At December 31, 2017	
	Fair Value	% Net Assets	Fair Value	% Net Assets
Equity securities (Long)	\$ 256,832,021	194.96%	\$ 116,909,669	115.90%
Derivative assets				
Option contracts	1,029,579	0.78%	172,558	0.18%
<b>Total market exposure</b>	<b>\$ 257,861,600</b>	<b>195.74%</b>	<b>\$ 117,082,227</b>	<b>116.08%</b>

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

	At June 30 2018		At December 31, 2017	
	Fair Value	% Net Assets	Fair Value	% Net Assets
Equity securities (Short)	\$ (88,940,198)	(67.52%)	\$ (32,931,250)	(32.65%)
Derivative liabilities				
Option contracts	(129,332)	(0.10%)	(724,118)	(0.72%)
<b>Total market exposure</b>	<b>\$ (89,069,530)</b>	<b>(67.62%)</b>	<b>\$ (33,655,368)</b>	<b>(33.37%)</b>

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 June 30, 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 \$8,442,427 (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 June 30, 2018, 0.04% (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
<b>As at June 30, 2018</b>				
<b>Financial Assets</b>				
Bonds*	\$ -	\$ -	\$ 56,464	\$ 56,464
<b>Financial Liabilities</b>				
Loan payable	\$ 155,872,121	\$ -	\$ -	\$ 155,872,121

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

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

At June 30, 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 period would amount to approximately \$568 (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 June 30, 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:

<b>As at June 30, 2018</b>					
	Monetary exposure	Non-monetary exposure *	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	\$ (155,386,910)	\$ 157,301,269	\$ 1,914,359	1.45	\$ 95,718
Total	\$ (155,386,910)	\$ 157,301,269	\$ 1,914,359	1.45	\$ 95,718

**Vertex Arbitrage Fund Plus**  
**Notes to Financial Statements**  
**June 30, 2018 (Unaudited)**

<b>As at December 31, 2017</b>					
	<b>Monetary exposure</b>	<b>Non-monetary exposure *</b>	<b>Net currency exposure</b>	<b>% of Net assets attributable to holders of redeemable units</b>	<b>5% Decrease /increase</b>
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 June 30, 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 June 30, 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.



# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
<b>As at June 30, 2018</b>					
<b>Liabilities</b>					
Financial liabilities at fair value					
Securities sold short	\$ -	\$ 88,940,198	\$ -	\$ -	\$ 88,940,198
Written options	-	129,332	-	-	129,332
Management fees payable	-	125,883	-	-	125,883
Performance fees payable	-	635,144	-	-	635,144
Dividends payable on securities sold short	-	188,525	-	-	188,525
Loan payable	-	155,872,121	-	-	155,872,121
Due to broker	-	10,871,532	-	-	10,871,532
Redeemable units	131,743,927	-	-	-	131,743,927

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
<b>As at December 31, 2017</b>					
<b>Liabilities</b>					
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

# Vertex Arbitrage Fund Plus

## Notes to Financial Statements

June 30, 2018 (Unaudited)

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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 June 30, 2018 and December 31, 2017 are noted below:

Portfolio by rating category	Percentage of net assets	
	June 30, 2018	December 31, 2017
A/A	0.04%	-0.83%
Below BBB	0.00%	2.36%
<b>Total</b>	<b>0.04%</b>	<b>1.53%</b>

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:

**Vertex Arbitrage Fund Plus**  
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Portfolio by Category	Percentage of Net Assets (%)	
	June 30, 2018	December 31, 2017
Long - Bonds - Corporate Bonds	0.04	2.36
Long - Stocks - Consumer Discretionary	14.89	18.63
Long - Stocks - Consumer Staples	4.73	-
Long - Stocks - Energy	38.91	8.58
Long - Stocks - Financials	82.59	37.92
Long - Stocks - Health Care	14.59	5.50
Long - Stocks - Industrials	11.39	12.05
Long - Stocks - Information Technology	18.71	20.38
Long - Stocks - Materials	7.65	4.21
Long - Stocks - Telecommunications	0.29	0.59
Long - Stocks - Utilities	1.21	8.04
Long - Call Options	0.14	0.02
Long - Put Options	0.64	0.16
Short - Bonds - Corporate Bonds	-	(0.83)
Short - Stocks - Consumer Discretionary	(2.54)	(9.24)
Short - Stocks - Consumer Staples	(3.73)	-
Short - Stocks - Energy	(39.48)	(7.84)
Short - Stocks - Financials	(8.75)	-
Short - Stocks - Health Care	(2.93)	(2.20)
Short - Stocks - Industrials	(3.00)	(1.68)
Short - Stocks - Information Technology	(3.42)	(5.01)
Short - Stocks - Materials	(2.32)	(1.05)
Short - Stocks - Telecommunications	-	(1.21)
Short - Stocks - Utilities	(1.35)	(2.84)
Short - Mutual Fund	-	(1.58)
Short - Call Options	-	(0.72)
Short - Put Options	(0.10)	
Cash	90.21	77.26
Other Assets, Less Liabilities	(0.06)	11.68
Loan Payable	(118.31)	(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 period ended June 30, 2018 and June 30, 2017 is calculated as follows:

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<b>Class B</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Increase in net assets attributable to holders of redeemable units	317,504 \$	27,658
Weighted average units outstanding during the period	766,044	68,173
Increase in net assets attributable to holders of redeemable units per unit	0.41	0.41

<b>Class F</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Increase in net assets attributable to holders of redeemable units	\$ 4,619,933	\$ 888,216
Weighted average units outstanding during the period	10,381,322	2,251,563
Increase in net assets attributable to holders of redeemable units per unit	0.45	0.39