

# THE VERTEX FUND

**VERTEX ONE**  
Asset Management Inc.

- An Authentic Alternative -

|                        |                         |                         |   |
|------------------------|-------------------------|-------------------------|---|
| Since Inception Return | Total Cumulative Return | Percent Positive Months | Annualized Alpha (Return above S&P 500) |
| 13.07%                 | 1077.37%                | 68.05%                  | 9.81%                                   |

## Investment Objectives

The principal objective is the growth of capital in excess of benchmarks and to preserve capital throughout an economic cycle. The management team takes an opportunistic approach to investing while employing a broad range of strategies to diversify the portfolio and drive results on a consistent basis.

## Investment Strategy

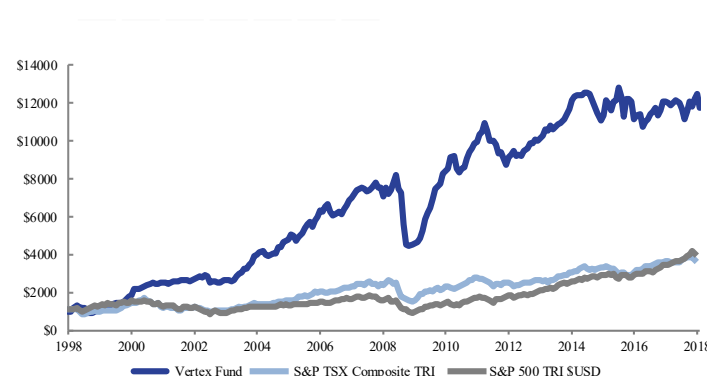
The portfolio has an event-driven focus, wherein catalysts are identified that will likely have an impact on a company's stock price or capital structure. Throughout an economic cycle, different strategies will provide more favourable risk/reward trade-offs, permitting opportunities for reallocating capital. Fundamental analysis is the cornerstone of the team's skill set, but the investment strategies include: merger arbitrage, convertible arbitrage, high yield debt, capital structure arbitrage, fundamental longs, shorts, options and other special situations.

## Performance (Net of all fees and include reinvested distributions)

### Comparison to Benchmarks

|                   | Fund     | S&P 500 TRI (\$USD) | S&P/TSX Composite TRI |
|-------------------|----------|---------------------|-----------------------|
| 1 month           | -5.55%   | -3.69%              | -3.02%                |
| Year to date      | -3.83%   | 1.83%               | -4.37%                |
| 1 year            | -2.13%   | 17.10%              | 3.23%                 |
| 3 year            | -1.06%   | 11.14%              | 3.47%                 |
| 5 year            | 2.71%    | 14.73%              | 6.92%                 |
| 10 year           | 4.52%    | 9.73%               | 4.33%                 |
| 15 year           | 10.40%   | 10.36%              | 8.74%                 |
| Since Inception   | 13.07%   | 7.20%               | 6.16%                 |
| Cumulative Return | 1077.37% | 304.21%             | 272.03%               |

### Growth of \$1,000 Since Inception



## Calendar Year Returns

|                            | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011    | 2010   | 2009   | 2008    | 2007  | 2006   | 2005   | 2004   | 2003   |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|---------|-------|--------|--------|--------|--------|
| <b>Vertex Fund</b>         | -3.83% | 1.55%  | -0.07% | 8.67%  | -5.09% | 16.47% | 14.78% | -11.70% | 19.46% | 84.18% | -40.25% | 9.99% | 14.72% | 27.12% | 20.20% | 48.91% |
| <b>S&amp;P 500 (\$USD)</b> | 1.83%  | 21.83% | 11.96% | 1.38%  | 13.69% | 32.39% | 16.00% | 2.11%   | 15.06% | 26.46% | -37.00% | 5.49% | 15.79% | 4.91%  | 10.88% | 28.68% |
| <b>S&amp;P/TSX</b>         | -4.37% | 9.10%  | 21.08% | -8.32% | 10.55% | 12.99% | 7.19%  | -8.71%  | 17.61% | 35.05% | -33.00% | 9.83% | 17.26% | 24.13% | 14.48% | 26.72% |

|                               |   |
|-------------------------------|---|
| <b>Firm Assets</b>            | \$1.30 Billion                              |
| <b>Fund Assets</b>            | \$433 Million                               |
| <b>Type of Fund</b>           | Opportunistic                               |
| <b>RSP Eligible</b>           | Yes   |
| <b>Pricing Schedule</b>       | Monthly                                     |
| <b>Offer Document</b>         | Offering Memorandum                         |
| <b>Lock up</b>                | No  |
| <b>Redemption Fee</b>         | On DSC Class                                |
| <b>High water mark</b>        | Yes   |
| <b>Performance Fee</b>        | 20% of the amount above the high water mark |
| <b>Management Fee</b>         | B: 2% F: 1%                                 |
| <b>Fund Codes</b>             | VRT 301(F), VRT 302(B)<br>VRT 303(DSC)      |
| <b>Administration/Trustee</b> | CIBC Mellon                                 |
| <b>Prime Broker</b>           | TD Securities Inc.                          |
| <b>Auditor</b>                | PriceWaterhouseCoopers                      |
| <b>Inception Date</b>         | February 6, 1998                            |
| <b>NAVPU - Class A</b>        | \$65.7963                                   |
| <b>NAVPU - Class B</b>        | \$9.4383                                    |
| <b>NAVPU - Class F</b>        | \$62.5071                                   |

**Portfolio Manager**  
John Thiessen

Mr. John Thiessen is a founding partner and director of Vertex One Asset Management. Mr. Thiessen has overall responsibility for the investment and trading decisions affecting the Vertex Fund. He has operated as the lead manager of the Vertex Fund since its inception on February 6, 1998. Mr. Thiessen has significant investment experience with over 25 years of equity, fixed income and arbitrage investing. Mr. Thiessen holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute and CFA Society of Vancouver.

**Fourth Quarter Commentary**

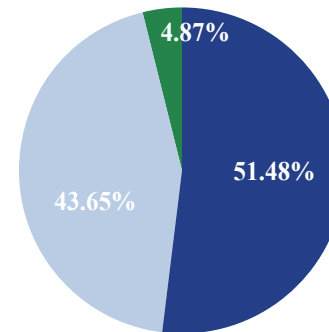
The recent Tax Reform in the United States has caused benefits similar to income trust conversion tax avoidance from over a decade ago in Canada.

We are amid a multiple expansion phase for all US sectors combined with upward earnings revisions as tax rates are reduced by a third. On the back of continued low interest rates (below 3%) all stocks with price/earnings ratios of less than 33 seem cheap. Recently, respected market analysts with a bearish tilt – such as Jeremy Grantham – have argued the biggest risk is to the upside with a market melt up.

The Vertex Fund has had strong performance in three of the last four months, largely due to our leverage in rising rates and our exposure to rising oil prices. We continue to have 32% portfolio exposure in oil and gas – mainly through American plays that aren't subject to NAFTA or pipeline protesters... which is causing large differentials between Canadian and American pricing.

As our investors have seen, oil and gas investments haven't been all that pleasant over the past three years, yet our stubborn patience is beginning to pay off with oil futures in backwardation and oil prices at three year highs.

**Geographic Allocation**



■ Canada ■ EUR ■ United States

|                | Fund   | S&P 500 | TSX TRI |
|----------------|--------|---------|---------|
| Std. Deviation | 16.11% | 14.92%  | 14.57%  |
| Sharpe Ratio   | 0.75   | 0.44    | 0.42    |

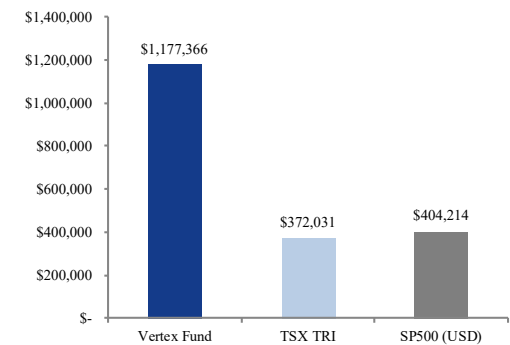
rf = LIBOR, 1M, USD

|                  | Relative to S&P TSX | Relative to S&P 500 |
|------------------|---------------------|---------------------|
| Monthly Alpha    | 0.66%               | 0.78%               |
| Annualized Alpha | 8.26%               | 9.81%               |
| Beta             | 0.74                | 0.53                |
| Correlation      | 0.68                | 0.49                |

**Net Strategy Allocations**

| Strategy               | Long          | Short        | Net           |
|------------------------|---------------|--------------|---------------|
| Long/Short             | 90.00         | -1.23        | 88.77         |
| Merger Arbitrage       | 7.99          | -0.21        | 7.78          |
| High Yield             | 7.50          | 0.00         | 7.50          |
| Private                | 6.41          | 0.00         | 6.41          |
| Capital Structure Arb. | 0.00          | 0.00         | 0.00          |
| Convert Arbitrage      | 0.00          | 0.00         | 0.00          |
| Spin Out               | 0.00          | 0.00         | 0.00          |
| Other Special Sits     | 0.00          | 0.00         | 0.00          |
| Outright Shorts        | 0.00          | -2.05        | -2.05         |
| <b>Total</b>           | <b>111.90</b> | <b>-3.49</b> | <b>108.41</b> |

**Total Cumulative Return of \$100,000**



**15-Year, Historical Monthly Performance**

|      | 2018   | 2017   | 2016   | 2015   | 2014   | 2013   | 2012   | 2011    | 2010   | 2009    | 2008    | 2007   | 2006   | 2005   | 2004   | 2003   |
|------|--------|--------|--------|--------|--------|--------|--------|---------|--------|---------|---------|--------|--------|--------|--------|--------|
| Jan  | 1.82%  | 0.26%  | -7.42% | 2.49%  | 3.90%  | 0.84%  | 4.24%  | 0.46%   | 1.14%  | 1.73%   | -5.85%  | 2.29%  | 6.27%  | 1.54%  | 1.45%  | 1.61%  |
| Feb  | -5.55% | -0.46% | 1.56%  | 6.85%  | 1.44%  | 1.73%  | 1.90%  | 3.61%   | 1.82%  | 2.35%   | 6.67%   | 2.42%  | -0.86% | 6.28%  | 4.80%  | 0.08%  |
| Mar  | -1.17% | 0.34%  | -1.45% | 0.62%  | 3.13%  | 1.61%  | 1.62%  | 6.92%   | 4.00%  | -4.43%  | 2.67%   | 4.28%  | -2.02% | 0.49%  | -2.37% |        |
| Apr  | 1.18%  | -5.59% | -3.07% | 0.22%  | -0.93% | -2.47% | 4.51%  | 0.80%   | 8.07%  | 2.09%   | 1.56%   | 1.52%  | -4.36% | -4.11% | 3.21%  |        |
| May  | 0.86%  | 2.74%  | 3.88%  | -0.35% | 2.57%  | 0.51%  | -3.86% | -7.25%  | 11.40% | 5.42%   | 0.92%   | -6.34% | 4.09%  | -1.29% | 6.66%  |        |
| Jun  | -0.98% | 0.92%  | 0.61%  | 1.39%  | -1.86% | -0.56% | -5.23% | -2.54%  | 5.43%  | 5.28%   | -1.42%  | -2.83% | 3.51%  | 0.65%  | 3.29%  |        |
| Jul  | -2.61% | 2.45%  | 5.66%  | -0.27% | 1.55%  | 3.25%  | 0.34%  | 2.42%   | 5.02%  | -9.08%  | -1.42%  | 1.53%  | 5.28%  | 2.81%  | 3.77%  |        |
| Aug  | -4.65% | 0.98%  | -3.56% | -0.33% | 1.40%  | 1.25%  | -2.00% | 1.04%   | 6.72%  | -2.65%  | 0.79%   | 2.01%  | 4.06%  | -0.50% | 6.06%  |        |
| Sep  | 3.70%  | 1.75%  | -8.67% | -2.72% | 0.62%  | 2.36%  | -5.03% | 5.09%   | 7.26%  | -22.58% | 1.98%   | -2.51% | 2.05%  | 7.51%  | 0.32%  |        |
| Oct  | 4.21%  | -3.12% | 8.08%  | -2.98% | 1.53%  | 0.32%  | 0.65%  | 4.11%   | 2.39%  | -19.91% | 3.23%   | 4.95%  | -4.45% | 0.92%  | 6.08%  |        |
| Nov  | -2.09% | 2.36%  | 0.32%  | -2.45% | 2.25%  | 1.86%  | -3.54% | 1.74%   | 1.86%  | -1.47%  | -3.29%  | 2.48%  | 5.86%  | 5.55%  | 4.32%  |        |
| Dec  | 3.71%  | 3.67%  | -1.51% | -3.42% | 2.64%  | -0.23% | -3.30% | 3.36%   | 6.89%  | 1.59%   | 0.05%   | 4.07%  | 3.19%  | 0.81%  | 7.96%  |        |
| Year | -3.83% | 1.55%  | -0.07% | 8.67%  | -5.09% | 16.47% | 14.78% | -11.70% | 19.46% | 84.18%  | -40.25% | 9.99%  | 14.72% | 27.12% | 20.20% | 48.91% |

**Corporate Profile**

We are an independent investment firm that seeks to offer investors a different approach to fund management, one based on capital preservation in both good and bad markets. Through seven funds we offer investors a full spectrum of risk and return profiles, actively managed by asset class and strategy exposure. Vertex employees are collectively the largest investors across its funds.

**Vertex One Head Office**

Suite 3200, 1021 West Hastings St, Vancouver, BC  
Canada, V6E 0C3

Phone: 604-681-5787 Toll Free: 866-681-5787 Fax: 604-681-5146

Email: invest@vertexone.com Website: www.vertexone.com

**Dealer Services**

CIBC Mellon Dealer Services

Phone: 416-643-6509 Toll Free: 866-885-7505

This statistical information is intended to provide you with information about the Vertex Fund. Advertised performance is based on Class A shares. Important information about the Fund is contained in the Offering Memorandum which should be read carefully before investing. You can obtain an offering memorandum from Vertex One Asset Management Inc. The Offering Memorandum for Vertex One Asset Management Inc.'s investment funds does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. The indicated rates of return are the historical compounded returns for the period indicated, including changes in security value and the reinvestment of all distributions and do not take into account income taxes payable that would have reduced returns. The funds are not guaranteed; their values change frequently and past performance may not be repeated.