

# **Vertex Fund**

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

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

## Vertex Fund

Statements 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	\$ 403,714,148	\$ 523,197,521
Investments, pledged as collateral	44,457,674	28,265,223
Cash	139,889,963	187,452,941
Cash, pledged as collateral	-	12,846,540
Due from broker	329,077	399,552
Accrued interest	18,444	83,336
Dividends receivable	115,220	340,098
Subscriptions receivable	-	3,661,634
Options	-	2,161,789
	<u>588,524,526</u>	<u>758,408,634</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Securities sold short	\$ 29,490,285	\$ 15,256,128
Management fees payable (Note 10)	770,313	894,365
Dividends payable on securities sold short	205,778	458
Commission payable (Note 10)	873,527	873,527
Redemptions payable	-	15,895,099
Due to broker	-	5,525,000
Loan payable (Note 3)	172,915,715	246,552,140
Derivative financial instruments		
Written Options	-	2,147,107
	<u>204,255,618</u>	<u>287,143,824</u>
<b>Net Assets attributable to holders of redeemable units</b>	<u>\$ 384,268,908</u>	<u>\$ 471,264,810</u>
<b>Net Assets attributable to holders of redeemable units per Class</b>		
Class A	\$ 138,204,631	\$ 155,816,795
Class B	\$ 61,518,282	\$ 79,601,020
Class F	<u>\$ 184,545,995</u>	<u>\$ 235,846,995</u>
<b>Net Assets attributable to holders of redeemable units per unit</b>		
Class A	\$ 67.22	\$ 68.42
Class B	\$ 9.61	\$ 9.83
Class F	<u>\$ 63.86</u>	<u>\$ 65.00</u>

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 Fund

Statements of Comprehensive Income (Loss)

For the periods ended June 30 (unaudited)

	2018	2017
<b>Investment income</b>		
Foreign exchange gain (loss) on cash	\$ (1,648,850)	\$ 1,477,132
Change in unrealized foreign exchange gain (loss) on cash	(186,294)	15,730,763
Change in unrealized foreign exchange gain (loss) on loan payable	(6,137,388)	(8,353,165)
Net gain (loss) on investments and derivatives		
Dividends	1,643,124	6,094,149
Dividends, paid on shorts	(501,527)	(1,462,826)
Interest for distribution purposes	(794,930)	670,179
Net realized gain	28,089,314	27,460,163
Net change in unrealized depreciation	(24,256,711)	(37,643,432)
<b>Total investment income</b>	<b>(3,793,262)</b>	<b>3,972,963</b>
<b>Expenses (Note 11)</b>		
Management fees	2,606,342	4,012,472
Securities borrowing fees (Note 3)	590,831	600,681
Securityholder reporting costs	138,258	122,681
Other administrative expenses	39,856	38,856
Audit fees	111,923	102,493
Custody fees	1,317	4,828
Legal fees	-	10,771
Trustee fees	3,082	2,668
Transaction costs	1,443,157	1,640,526
Withholding tax	(83,412)	345,345
	<b>4,851,354</b>	<b>6,881,321</b>
<b>Net investment income (loss)</b>	<b>(8,644,616)</b>	<b>(2,908,358)</b>
<b>Decrease in net assets attributable to holders of redeemable units</b>	<b>(8,644,616)</b>	<b>(2,908,358)</b>
<b>Decrease in net assets attributable to holders of redeemable units per Class</b>		
Class A	\$ (2,710,415)	\$ (654,237)
Class B	\$ (1,774,386)	\$ (1,051,655)
Class F	\$ (4,159,815)	\$ (1,202,466)
<b>Decrease in net assets attributable to holders of redeemable units per Class per unit (Note 15)</b>		
Class A	\$ (1.25)	\$ (0.23)
Class B	\$ (0.25)	\$ (0.09)
Class F	\$ (1.29)	\$ (0.23)

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

## Vertex Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the periods ended June 30 (unaudited)

	Class A		Class B	
	2018	2017	2018	2017
Net Assets attributable to holders of redeemable units, beginning of period	\$ 155,816,795	\$ 214,962,643	\$ 79,601,020	\$ 130,419,597
Decrease in net assets attributable to holders of redeemable units	(2,710,415)	(654,237)	(1,774,386)	(1,051,655)
<b>Capital transactions (Note 9)</b>				
Proceeds from issuance of redeemable units	439,558	1,201,936	177,293	690,326
Redemption of redeemable units	(15,341,307)	(48,099,112)	(16,485,645)	(27,467,142)
	(14,901,749)	(46,897,176)	(16,308,352)	(26,776,816)
Net Assets attributable to holders of redeemable units, end of period	\$ 138,204,631	\$ 167,411,230	\$ 61,518,282	\$ 102,591,126
	Class F		Total	
	2018	2017	2018	2017
Net Assets attributable to holders of redeemable units, beginning of period	\$ 235,846,995	\$ 368,167,635	\$ 471,264,810	\$ 713,549,875
Decrease in net assets attributable to holders of redeemable units	(4,159,815)	(1,202,466)	(8,644,616)	(2,908,358)
<b>Capital transactions (Note 9)</b>				
Proceeds from issuance of redeemable units	6,223,873	10,320,441	6,840,724	12,212,703
Redemption of redeemable units	(53,365,058)	(96,213,696)	(85,192,010)	(171,779,950)
	(47,141,185)	(85,893,255)	(78,351,286)	(159,567,247)
Net Assets attributable to holders of redeemable units, end of period	\$ 184,545,995	\$ 281,071,914	\$ 384,268,908	\$ 551,074,270

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

## Vertex Fund

Statements of Cash Flows

For the periods ended June 30 (unaudited)

	2018	2017
<b>Operating activities</b>		
Decrease in net assets attributable to holders of redeemable units	\$ (8,644,616)	\$ (2,908,358)
Adjustment for non-cash items:		
Net change in unrealized appreciation on investments and derivatives	24,256,711	37,643,432
Net realized gain on investments and derivatives	(28,089,314)	(27,460,163)
Change in unrealized foreign exchange (gain) loss on cash	186,294	(15,730,763)
Change in unrealized foreign exchange (gain) loss on loan payable	6,137,388	8,353,165
	<u>(6,153,537)</u>	<u>(102,687)</u>
Changes in operating assets and liabilities:		
Decrease in accrued interest	64,892	772,187
Decrease in dividends receivable	224,878	462,678
Decrease (Increase) in accounts payable and accrued liabilities	-	-
Decrease in management fee payable	(124,052)	(190,154)
Increase in dividends payable on securities sold short	205,320	60,056
	<u>371,038</u>	<u>1,104,767</u>
Proceeds on disposition of investments and derivatives, including proceeds received on shorts	462,407,286	1,410,085,713
Purchase of investments and derivatives, including cover for shorts	(346,489,447)	(1,203,983,066)
	<u>115,917,839</u>	<u>206,102,647</u>
<b>Net cash from operating activities</b>	<u>110,135,340</u>	<u>207,104,727</u>
<b>Financing activities</b>		
Proceeds from issuance of redeemable units**	8,449,665	6,355,305
Redemption of redeemable units**	(99,034,416)	(160,549,023)
Decrease (Increase) in loan payable	(79,773,813)	116,044,734
<b>Net cash provided to financing activities</b>	<u>(170,358,564)</u>	<u>(38,148,984)</u>
<b>Decrease (Increase) in Cash</b>	<u>(60,223,224)</u>	<u>168,955,743</u>
<b>Change in unrealized foreign exchange (gain) loss on cash</b>	<u>(186,294)</u>	<u>15,730,763</u>
<b>Cash, Beginning of period</b>	<u>200,299,481</u>	<u>67,075,270</u>
<b>Cash, End of period</b>	<u>\$ 139,889,963</u>	<u>\$ 251,761,776</u>
<b>Supplemental Information (included in operating activities)</b>		
Cash paid on loan	-	-
Cash interest paid on short positions	-	-
Cash dividend paid on short positions	296,207	1,402,770
Cash received from interest, net of withholding taxes	(730,038)	1,442,366
Cash received from dividends, net of withholding taxes	1,951,414	6,211,482

\*\* The amounts of proceeds and redemptions exclude non cash items such as switches and exchanges between classes for June 30, 2018 amounting to \$2,052,693 (June 30, 2017 amounting to \$6,070,532)

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

**Vertex Fund**

 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>						
850,000	C21 Investments Inc.	8.000%	23-Mar-20	850,000	850,000	
500,000	Gran Colombia Gold Corp., Sinkable	8.250%	30-Apr-24	641,550	624,459	
31,910,419	Intermap Technologies Corp., Zero Coupon	0.000%	1-Sep-20	38,235,470	25,992,859	
10,000,000	Mirant Corp.	2.500%	15-Sep-21	-	-	
	<b>Total Corporate Bonds</b>			<b>39,727,020</b>	<b>27,467,318</b>	<b>7.15</b>
	<b>TOTAL BONDS</b>			<b>39,727,020</b>	<b>27,467,318</b>	<b>7.15</b>
<b>STOCKS</b>						
<b>ENERGY</b>						
7,304,601	Ascendant Resources Inc.			4,612,108	7,304,601	
1,984,020	Ascendant Resources Inc., Warrants, (07Mar22)			-	575,366	
8,854,166	Blockchain Power Trust			4,250,000	1,770,833	
800,000	Bukit Energy Inc.			800,000	4,000	
223,000	Bukit Energy Inc., Preferred, Series 'A', Convertible			501,750	1,115	
290,000	Calfrac Well Services Ltd.			2,334,993	1,618,200	
4,000,200	Calston Exploration Inc.			1,000,050	120,006	
560,000	Canadian International Oil Corp., Warrants, Restricted			-	268,800	
1,100,000	Cardinal Energy Ltd.			6,187,500	6,083,000	
207,810	Carrizo Oil & Gas Inc.			5,275,901	7,608,548	
4,166,667	CBM Asia Development Corp.			750,000	417	
429,878	Condor Petroleum Inc.			2,539,448	227,835	
2,054,000	EnSCO PLC, Class 'A'			18,319,459	19,604,113	
70,200	Freehold Royalties Ltd.			873,288	870,480	
3,020,000	Front Range Resources Ltd.			2,105,829	226,500	
1,487,991	Kelt Exploration Ltd.			10,950,771	13,287,760	
6,147,174	Lilis Energy Inc.			5,643,709	42,023,188	
50,000	MedMen Enterprises Inc., Class 'B'			263,855	217,500	
20,813,576	Petroshale Inc.			20,605,478	43,708,510	
739,613	Razor Energy Corp.			2,218,839	1,996,955	
4,166,667	Sagres Energy Inc.			250,000	-	
157,986	STEP Energy Services Ltd.			1,665,161	1,734,686	
821,000	TORC Oil & Gas Ltd.			6,316,944	6,026,140	
4,427,083	Transeastern Power Trust, Warrants, (05Jan20)			-	-	
1,823,280	Trican Well Service Ltd.			7,970,620	5,451,607	
10,385,000	United Hydrocarbon International Corp.			411,666	467,325	
533,607	Vertex Energy Inc.			4,038,386	743,597	
806,452	Vertex Energy Inc., Warrants, (24Dec20)			-	10,602	
74,726	Whiting Petroleum Corp.			4,182,183	5,179,136	
	<b>TOTAL ENERGY</b>			<b>114,067,938</b>	<b>167,130,820</b>	<b>43.50</b>
<b>MATERIALS</b>						
35,450	Advantage Lithium Corp., Warrants, (17Feb19)			-	1,064	
20,000	Albemarle Corp.			2,450,654	2,480,219	
445,000	Altiplano Minerals Ltd., Warrants, (31Jan19)			-	93,450	
2,000,000	Artis Exploration Ltd.			2,000,000	10,000,000	
344,000	Avalon Projects Canada Inc., Subscription Receipts			172,000	172,000	
1,500,000	Benchmark Metals Inc.			-	240,000	
1,500,000	Benchmark Metals Inc., Warrants, (08Jun20)			270,000	-	
39,150	BioAmber Inc., Warrants, (27Jan22)			-	-	
1,000,000	Bonterra Resources Inc., Warrants, (11Jul18)			-	-	
833,340	Bravada Gold Corp.			83,334	83,334	
860,000	Bravada Gold Corp., Warrants			-	8,600	
1,537,500	Cobalt 27 Capital Corp., Restricted			17,527,500	13,576,125	
989,000	Cobalt Power Group Inc.			217,580	93,955	
494,500	Cobalt Power Group Inc., Warrants, (07Mar20)			-	-	
2,550,000	Fortress Blockchain Corp.			1,275,000	1,275,000	
195,235	Franco-Nevada Corp.			16,891,120	18,732,798	
62,000	Gran Columbia Gold Corp., Warrants, (30Apr24)			-	52,165	
222,403	GrowForce Corp.			88,053	711,690	
471,629	Growforce Holdings Inc.			47,163	1,358,292	
170,000	Growforce Holdings Inc., Rights, (24Mar18)			-	-	
98,175	Kutcho Copper Corp., Warrants, (14Dec20)			-	982	
350,000	LSC Lithium Corp., Warrants, (09Nov20)			-	7,000	
100,000	M2 Cobalt Corp., Warrants, (15Dec19)			-	-	
100,000	Northern Graphite Corp., Warrants			-	2,000	
755,000	Osisko Gold Royalties Ltd., Warrants, (12Feb15)			10,125	800,300	
739,500	Planet 13 Holdings Inc.			742,918	739,500	
733,350	PolyMet Mining Corp., Warrants, (18Feb17)			-	231,384	
431,010	Prize Mining Corp., Warrants, (11Apr19)			-	-	
232,273	Rise Gold Corp.			46,455	22,274	
1,250,000	Rise Resources Inc., Warrants, (23Dec18)			-	1	
100,000	Scientific Metals Corp., Warrants, (17May19)			-	6,000	
8,105,544	Sherritt International Corp.			10,344,381	8,997,154	
1,186,506	Sherritt International Corp., Warrants, (25Jan21)			394,596	284,761	
3,711,512	Sirios Resources Inc.			1,076,338	742,302	
250,000	Stina Resources Ltd., Warrants, (27Sep20)			-	-	
550,000	Temperance Capital, Restricted			500,000	550,000	
258,000	US Cobalt Inc., Warrants, (17Sep18)			-	79,980	
	<b>TOTAL MATERIALS</b>			<b>54,137,217</b>	<b>61,342,330</b>	<b>15.96</b>
<b>INDUSTRIAL</b>						
549,820	Air Canada			13,304,073	11,683,675	
2,273,554	CoolEdge Lighting Inc., Preferred			3,457,000	797,745	
4,774,637	CoolEdge Lighting Inc., Preferred, Class 'B'			5,513,250	1,675,325	
5,651,005	Intermap Technologies Ltd.			6,519,173	2,130,664	
	<b>TOTAL INDUSTRIAL</b>			<b>28,793,496</b>	<b>16,287,409</b>	<b>4.24</b>
<b>CONSUMER DISCRETIONARY</b>						
471,308	Brookfield Business Partners L.P.			14,493,652	23,749,210	
4,884,946	Diversified Royalty Corp.			12,350,492	14,996,784	
500,000	Heavy Earth Resources Inc.			198,612	-	
	<b>TOTAL CONSUMER DISCRETIONARY</b>			<b>27,042,756</b>	<b>38,745,994</b>	<b>10.08</b>

(See accompanying notes to the financial statements.)

**Vertex Fund**

Schedule of Investments

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

Number of Shares/ Par Value	Description	Average Cost \$	Fair Value \$	% of Total
<b>CONSUMER STAPLES</b>				
500,000	A.I.S Resources Ltd., Warrants, (31Oct18)	-	-	
	<b>TOTAL CONSUMER STAPLES</b>	-	-	0.00
<b>HEALTH CARE</b>				
75,000	Green Thumb Industries Inc.	887,750	1,068,750	
752,500	ICC International Cannabis Corp., Warrants, (22Nov19)	-	142,975	
175,000	MSI Methylation Sciences Inc.	175,000	-	
423,572	MSI Methylation Sciences Inc., Preferred, Class 'A', Series '1'	391,185	-	
459,850	Valeant Pharmaceuticals International Inc.	11,355,577	14,063,567	
419,699	Vision Critical Inc., Preferred, Class 'B', Series '2'	1,468,947	1,703,978	
	<b>TOTAL HEALTH CARE</b>	14,278,459	16,979,270	4.42
<b>FINANCIALS</b>				
363,728	Bitcoin Investment Trust	4,316,722	3,022,066	
150,000	CannaRoyalty Corp.	663,857	744,000	
146,725	CannaRoyalty Corp., Warrants, (13Apr21)	26,597	212,751	
28,273,689	Citigroup Inc., Warrants, (04Apr19)	4,906,760	464,625	
150,900	Exela Technologies Inc., Warrants, (01Jan23)	79,135	63,482	
70,200	Federal Street Acquisition Corp., Class 'A', Warrants, (24Jul22)	-	119,975	
247,775	Founders Advantage Capital Corp.	991,100	468,295	
48,666	Gores Holdings II Inc., Warrants, (06Mar22)	-	118,361	
1,736,585	Guardian Capital Group Ltd., Class 'A'	18,867,096	39,993,553	
125,000	iAnthus Capital Holdings Inc.	773,398	828,750	
105,000	Industrea Acquisition Corp., Warrants, (01Aug24)	-	82,823	
155,050	JPMorgan Chase & Co., Warrants, (28Oct18)	3,874,642	12,929,348	
175,000	Matlin and Partners Acquisition, Class 'A', Warrants, (28May21)	-	149,541	
363,674	MJAR Holdings LLC	969,975	984,894	
500,000	Mjardin Investment Canada Inc.	320,525	328,663	
6,330,000	Pres Initial Capital Aggregator LLC	2,690,836	832,173	
1,047,068	Pres Initial Capital Aggregator LLC, Warrants, (01May22)	-	-	
105,100	Purple Innovation Inc., Warrants, (13Aug20)	68,643	94,646	
2,152,259	Social Capital Hedosophia Holdings Corp.	28,507,309	31,039,256	
1,248,724	Social Capital Hedosophia Holdings Corp., Warrants, (25Sep22)	2,758,631	2,954,943	
41,666	TPG Page Energy Holdings Corp., Class 'A', Warrants, (21Jun22)	-	150,635	
25,000	Turnstone Energy Inc.	-	9,750	
	<b>TOTAL FINANCIALS</b>	69,815,226	95,592,530	24.88
<b>TELECOMMUNICATIONS SERVICES</b>				
81,798	Kew Media Group Inc.	809,800	629,845	
1,257,589	Kew Media Group Inc., Warrants, (20Mar22)	1,807,587	1,006,071	
	<b>TOTAL TELECOMMUNICATIONS SERVICES</b>	2,617,387	1,635,916	0.43
<b>INFORMATION TECHNOLOGY</b>				
150,000	Ambit Energy	77,476	54,624	
491,428	Canadian Data Preserve Inc., Subscription Receipts	172,000	93,371	
212,500	HIVE Blockchain Technologies Ltd., Warrants, (14Nov19)	-	17,000	
200,000	InfoCast Corp.	15,963	-	
1,508,544	KAB Distribution Inc.	-	-	
311,538	Micron Technology Inc.	18,009,265	21,477,506	
850,000	StorageNetworks Inc.	-	-	
500,000	Versus Systems Inc.	150,000	160,000	
250,000	Versus Systems Inc., Warrants, (04Apr20)	-	-	
	<b>TOTAL INFORMATION TECHNOLOGY</b>	18,424,704	21,802,501	5.67
<b>UTILITIES</b>				
1,746,667	Stream Asset Financial L.P.	1,746,667	1,187,734	
	<b>TOTAL UTILITIES</b>	1,746,667	1,187,734	0.31
<b>TOTAL STOCKS</b>				
		330,923,850	420,704,504	109.49
<b>TOTAL INVESTMENTS</b>				
		370,650,870	448,171,822	116.63
<b>TOTAL LONG</b>				
		370,650,870	448,171,822	116.63
<b>TOTAL SHORT (Schedule 1)</b>				
		(34,315,029)	(29,490,285)	(7.67)
<b>TOTAL INVESTMENTS BEFORE TRANSACTION COSTS</b>				
		336,335,841	418,681,537	108.96
<b>Transaction Costs (Note 2)</b>				
		(674,718)	-	
<b>TOTAL INVESTMENTS</b>				
		335,661,123	418,681,537	108.96
<b>CASH</b>				
		-	139,889,963	36.40
<b>LOAN PAYABLE</b>				
		-	(172,915,715)	(45.00)
<b>OTHER ASSETS, LESS LIABILITIES</b>				
		-	(1,386,877)	(0.36)
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>				
		-	384,268,908	100.00

\*Denotes manually priced securities using a fair valuation model

(See accompanying notes to the financial statements.)

## Vertex Fund

Schedule of Investments

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

### Schedule 1

Number of Shares	Description	Proceed \$	Fair Value \$	% of Total
	<b>SHORT</b>			
	<b>STOCKS</b>			
	<b>MATERIALS</b>			
(25,000)	Cobalt Power Group Inc.	(4,850)	(2,375)	
(180,000)	Hut 8 Mining Corp.	(620,610)	(522,000)	
	<b>TOTAL MATERIALS</b>	<u>(625,460)</u>	<u>(524,375)</u>	(0.14)
	<b>CONSUMER DISCRETIONARY</b>			
(175,000)	Bed Bath & Beyond Inc.	(3,839,889)	(4,584,020)	
(500)	Canadian Tire Corp. Ltd., Class 'A'	(73,361)	(85,800)	
(100,000)	Hudson's Bay Co.	(880,470)	(1,172,000)	
(144,100)	Yellow Pages Ltd.	(1,062,821)	(1,301,223)	
	<b>TOTAL CONSUMER DISCRETIONARY</b>	<u>(5,856,541)</u>	<u>(7,143,043)</u>	(1.86)
	<b>HEALTH CARE</b>			
(920,400)	Aurora Cannabis Inc.	(7,985,622)	(8,559,720)	
	<b>TOTAL HEALTH CARE</b>	<u>(7,985,622)</u>	<u>(8,559,720)</u>	(2.23)
	<b>FINANCIALS</b>			
(350,000)	Annaly Capital Management Inc.	(4,599,032)	(4,734,712)	
(425,000)	Bitcoin Investment Trust	(7,026,411)	(4,765,935)	
(100,000)	RioCan REIT	(2,298,107)	(2,415,000)	
	<b>TOTAL FINANCIALS</b>	<u>(13,923,550)</u>	<u>(11,915,647)</u>	(3.10)
	<b>EXCHANGE-TRADED FUNDS</b>			
(75,000)	Horizons Medical Marijuana Life Sciences ETF, Class 'A'	(1,436,055)	(1,346,250)	
	<b>TOTAL EXCHANGE-TRADED FUNDS</b>	<u>(1,436,055)</u>	<u>(1,346,250)</u>	(0.35)
	<b>INFORMATION TECHNOLOGY</b>			
(2,500,000)	Nortel Networks Corp.	(4,487,801)	(1,250)	
	<b>TOTAL INFORMATION TECHNOLOGY</b>	<u>(4,487,801)</u>	<u>(1,250)</u>	-
	<b>TOTAL STOCKS</b>	<u>(34,315,029)</u>	<u>(29,490,285)</u>	(7.68)
	<b>TOTAL SHORT</b>	<u>(34,315,029)</u>	<u>(29,490,285)</u>	(7.68)

(See accompanying notes to the financial statements.)



# **Vertex Fund**

## **Notes to Financial Statements**

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

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#### **1. Establishment of the Fund**

Vertex Fund (the “Fund”) was created on December 3, 2001 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 January 1, 2002, and Class BB and Class FF commenced operations on May 5, 2009. Effective January 31, 2010, the class BB units were merged with the class B units and the class FF units were merged with the class F units. There is no limit to the number of Units or the number of Classes of Units that may be issued subject to any determination to the contrary made by the Manager.

The investment objective of the Fund is to maximize returns on an absolute basis. The Fund searches for investment opportunities on a global basis and unlike many hedge funds, the Fund does not use futures and net short sales is restricted to 15% of total portfolio assets.

#### **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 (Loss).

# **Vertex Fund**

## **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 (Loss) 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 (Loss) 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 (Loss) 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 (Loss) 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**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

## **Vertex Fund**

### **Notes to Financial Statements**

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

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

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

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

#### **Cash**

Cash is comprised of cash on deposit.

#### **Collateral**

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

#### **Forward contracts**

The Fund enters into forward contracts to manage risk or to achieve desired returns. Gains or losses are realized based on the settlement term of the forward contracts. These forward contracts are valued based on the difference between the contract rate and the current market prices for the underlying asset, adjusted to reflect credit risk and other relevant factors as applicable. The unrealized gain or loss is reflected in the Statements of Financial Position as Forward contracts.

# **Vertex Fund**

## **Notes to Financial Statements**

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

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#### **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 (Loss).

#### **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 year end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date. Foreign exchange gains and losses relating to cash are presented as ‘foreign exchange gain (loss) on cash’ and those related to investments and derivatives are included in ‘net realized gain (loss) on investments and derivatives’ and ‘change in unrealized (depreciation) appreciation in value investments and derivatives’.

# **Vertex Fund**

## **Notes to Financial Statements**

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

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#### **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 in the 'Net gain (loss) on investments and derivatives'.

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 of 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 FED effective rate fluctuates and is marked daily, ranging between 1.50% to 1.75% (December 31, 2017 – 1.25% to 1.50%) 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 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\$128,111,855 (CAD\$ 164,841,523) and a maximum of US\$199,184,710 (CAD\$245,515,074) [December 31, 2017 – minimum US\$21,224,165 (CAD\$26,393,310) and a maximum of US\$204,435,219 (CAD\$280,526,007)] under this loan facility. As at June 30, 2018, there were US\$131,449,857 (CAD\$172,915,715) borrowings [December 31, 2017 – US\$196,143,309 (CAD\$246,552,140)]. During the period ended June 30, 2018, the Fund paid US\$1,436,541 (CAD\$1,831,781) [June 30, 2017 - US\$560,966 (CAD\$754,178)] of interest.

#### **Securities lending**

The Fund engages in securities lending transactions. The Fund will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of securities guaranteed by the Government of Canada or a province or territory of Canada, or by other governments with appropriate credit ratings, or by financial institutions, but may include commercial paper with an approved credit rating and or convertible securities. As at June 30, 2018, the aggregate dollar value of portfolio securities lent was \$nil of equity securities (December 31, 2017 - \$nil). As at June 30, 2018, the collateral held under securities transactions was \$nil of government debt securities (December 31, 2017 - \$nil). Income earned from securities lending is included in securities lending income in the

# **Vertex Fund**

## **Notes to Financial Statements**

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

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Statements of Comprehensive Income (Loss). There were no income earned from securities lending during the periods ended June 30, 2018 and 2017.

#### **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 (Loss) represents the increase (decrease) in net assets attributable to holders of 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 three 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 unit 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 unit at the time of issue or redemption. The Fund's net asset value per unit 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 unit (NAV) for transactions with unitholders. As at 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 IAS 32 for classification as equity and therefore, have been classified as financial liabilities.

#### **Taxation**

The Fund qualifies 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

## **Vertex Fund**

### **Notes to Financial Statements**

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

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determined that it is in substance not taxable and therefore does not record income taxes in the Statements of Comprehensive Income (loss) nor does it recognize any deferred tax assets or liabilities in the Statements of Financial Position. As at December 31, 2017, the Fund had \$19,540,833 (December 31, 2016 - \$19,540,833) of unused capital losses which have no expiry and \$8,463,548 (December 31, 2016 - \$8,463,548) 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 (Loss).

#### **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 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

# **Vertex Fund**

## **Notes to Financial Statements**

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

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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 Funds, the Manager is required to make significant judgments about whether or not the business of the Funds 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 Funds' 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 Funds' 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.

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.



## Vertex Fund

### Notes to Financial Statements

June 30, 2018 (Unaudited)

<b>Financial Assets at fair value as at June 30, 2018</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Stocks - Long	\$ 365,846,673	\$ 13,945,201	\$ 19,982,998	\$ 399,774,872
Bonds - Long	-	1,474,459	25,992,859	27,467,318
Warrants	20,024,629	636,203	268,800	20,929,632
Options	-	-	-	-
	<u>\$ 385,871,302</u>	<u>\$ 16,055,863</u>	<u>\$ 46,244,657</u>	<u>\$ 448,171,822</u>

<b>Financial Liabilities at fair value as at June 30, 2018</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Stocks - Short	\$ (29,487,910)	\$ (2,375)	\$ -	\$ (29,490,285)
Options	-	-	-	-
	<u>\$ (29,487,910)</u>	<u>\$ (2,375)</u>	<u>\$ -</u>	<u>\$ (29,490,285)</u>

<b>Financial Assets at fair value as at December 31, 2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Stocks - Long	\$ 432,507,441	\$ 7,334,999	\$ 29,426,951	\$ 469,269,391
Bonds - Long	-	2,722,935	22,992,566	25,715,501
Warrants	54,486,629	1,702,681	288,542	56,477,852
Options	2,161,789	-	-	2,161,789
	<u>\$ 489,155,859</u>	<u>\$ 11,760,615</u>	<u>\$ 52,708,059</u>	<u>\$ 553,624,533</u>

<b>Financial Liabilities at fair value as at December 31, 2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Stocks - Short	\$ (15,254,878)	\$ -	\$ (1,250)	\$ (15,256,128)
Options	(2,147,107)	-	-	(2,147,107)
	<u>\$ (17,401,985)</u>	<u>\$ -</u>	<u>\$ (1,250)</u>	<u>\$ (17,403,235)</u>

Investments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an investment classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, investments 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. Likewise, if an investment classified as Level 2 or Level 3, subsequently becomes actively traded and/or have a quoted price available, it is transferred into Level 1.

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.

# **Vertex Fund**

## **Notes to Financial Statements**

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

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**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.

**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.

### **Level 3 fair value measurements and sensitivity analysis**

#### **Equities**

Equities held long classified within Level 3 with fair value at June 30, 2018 of \$6,507,228, (December 31, 2017 - \$17,927,283) and equities sold short classified within level 3 with the fair value of \$nil (December 31, 2017 - \$1,250) consists of private equity positions. The Fund utilizes comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortization (EBITDA). The trading multiple is then discounted for consideration such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances. The remaining equities with fair value of \$13,475,770 (December 31, 2017 - \$11,498,418) use broker quotes, grey markets and costs are not included in the sensitivity analysis, there will be no effect on its estimated value.

#### **Bonds**

Bonds classified within Level 3 with fair value at June 30, 2018 of \$25,992,859, (December 31, 2017 - \$22,049,816) consists of corporate bonds. The Fund values these instruments using the net debt to EBITDA. The Fund considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary. The remaining bonds with fair value of \$nil (December 31, 2017 - 942,750) use

**Vertex Fund**  
**Notes to Financial Statements**  
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broker quotes, grey markets and costs are not included in the sensitivity analysis, there will be no effect on its estimated value.

**Warrants**

Warrants classified within Level 3 with fair value at June 30, 2018 of \$268,800, (December 31, 2017 - \$288,542) have significant unobservable inputs, as the underlying securities trade infrequently or are privately held. As observable prices are not available for the underlying securities, the Manager uses Black Scholes as a valuation technique to derive the fair value of warrants.

The following table presents the sensitivity analysis for level 3 securities with significant unobservable inputs as at June 30, 2018 and December 31, 2017.

Description	Fair Value at June 30, 2018	Valuation Techniques		Unobservable Inputs	Weighted average input	Reasonably possible shift +/- = (absolute value)	Change in the valuation (+/-)
Equities: (Long and Short)	\$6,507,228	Comparable trading multiples		Sales Multiple	3.6	1	+/- \$311,495
				Discount Rate	1.1%	1%	+/- \$63,920
				Flowing Barrel Multiple	108,000	1,000	+/- \$1,122
Debt Securities	\$25,992,859	Discount Rate		Discount Rate	26%	1	+/- \$1,229,392
Warrants	\$268,800	Black Scholes		Volatility	30 Vol	1 Vol	+/- \$5,914

Description	Fair Value at December 31, 2017	Valuation Techniques		Unobservable Inputs	Weighted average input	Reasonably possible shift +/- = (absolute value)	Change in the valuation (+/-)
Equities: (Long and Short)	\$17,927,283	Comparable trading multiples		Sales Multiple	3.6	1	+/- \$429,684
				Discount Rate	1.1%	1%	+/- \$360,469
				Flowing Barrel Multiple	108,000	1,000	+/- \$1,122
Debt Securities	\$22,049,816	Net debt to EBITDA		Discount Rate	26%	1	+/- \$915,146
Warrants	\$288,542	Black Scholes		Volatility	30 Vol	1 Vol	+/- \$14,414

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The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in the cost of capital and profitability of default would both lead to a decrease in the estimated value. For investments that use broker quotes, grey markets and cost, there will be no effect on its estimated value.

**Reconciliation of Level 3 fair value measurements**

The following is a reconciliation of Level 3 fair value measurements from December 31, 2017 to June 30, 2018:

	Fair value measurements using level 3 inputs				
	Warrants	Equities - Long	Equities - Short	Bonds - Long	Total
<b>Balance at December 31, 2017</b>	288,542	29,426,951	(1,250)	22,992,566	52,706,809
Sales	-	(9,072,291)	-	(5,060,816)	(14,133,107)
Purchases	-	1,114,635	-	-	1,114,635
Transfers out	-	-	1,250	-	1,250
Gains (Losses)					-
Realized	-	4,281,998	4,486,551	(255,563)	8,512,986
Unrealized	(19,742)	(5,768,295)	(4,486,551)	8,316,672	(1,957,916)
<b>Balance at June 30, 2018</b>	<b>\$ 268,800</b>	<b>\$ 19,982,998</b>	<b>\$ -</b>	<b>\$ 25,992,859</b>	<b>\$ 46,244,657</b>
Total change in unrealized gain (loss) during the period for assets held at June 30, 2018	\$ (19,742)	\$ (1,406,155)	\$ -	\$ 8,091,143	\$ 6,665,246

The following is a reconciliation of Level 3 fair value measurements from December 31, 2016 to December 31, 2017:

	Fair value measurements using level 3 inputs				
	Warrants	Equities - Long	Equities - Short	Bonds - Long	Total
<b>Balance at December 31, 2016</b>	\$ 9,731,447	\$ 46,731,547	\$ (1,250)	\$ 72,939,629	\$ 129,401,373
Sales	-	(5,618,940)	-	(47,225,346)	(52,844,286)
Purchases	-	1,786,922	-	5,316,379	7,103,301
Restructuring in	-	-	-	-	-
Restructuring out	-	-	-	-	-
Transfers in	-	2,690,836	-	-	2,690,836
Transfers out	(9,482,753)	(5,285,594)	-	-	(14,768,347)
Gains (Losses)					-
Realized	-	1,617,421	-	1,479,013	3,096,434
Unrealized	39,848	(12,495,241)	-	(9,517,109)	(21,972,502)
<b>Balance at December 31, 2017</b>	<b>\$ 288,542</b>	<b>\$ 29,426,951</b>	<b>\$ (1,250)</b>	<b>\$ 22,992,566</b>	<b>\$ 52,706,809</b>
Total change in unrealized gain (loss) during the year for assets held at December 31, 2017	\$ 288,536	\$ (2,587,461)	\$ -	\$ (8,893,203)	\$ (11,192,128)

The following were the transfers between Levels 1 and 2 for assets and liabilities held at June 30, 2018:

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	<b>Transfer from level 1 to level 2</b>	<b>Transfer from level 2 to level 1</b>
	<b>2018</b>	<b>2018</b>
Equities - Long	-	-

	<b>Transfer from level 1 to level 2</b>	<b>Transfer from level 2 to level 1</b>
	<b>2018</b>	<b>2018</b>
Warrants	-	3,680,943

The following were the transfers between Levels 1 and 2 for assets and liabilities held at December 31, 2017:

	<b>Transfer from level 1 to level 2</b>	<b>Transfer from level 2 to level 1</b>
	<b>2017</b>	<b>2017</b>
Equities - Long	-	1,286,927

	<b>Transfer from level 1 to level 2</b>	<b>Transfer from level 2 to level 1</b>
	<b>2017</b>	<b>2017</b>
Warrants	-	-

The Fund’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

**7. Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the recognized financial instruments that are offset, or subject to enforceable master netting arrangements or other similar agreements but not offset, as at June 30, 2018 and December 31, 2017, and shows in the ‘Net’ column what the net impact would be on the Fund’s Statements of Financial Position if all set-off rights were exercised.

Financial Assets and Liabilities as at June 30, 2018	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Received (Pledged)	
Derivative assets	-	-	-	-	-	-
Derivative liabilities	-	-	-	-	-	-
Total	-	-	-	-	-	-

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Financial Assets and Liabilities as at December 31, 2017	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Received (Pledged)	
Derivative assets	-	-	-	-	12,846,540	12,846,540
Derivative liabilities	-	-	-	-	-	-
Total	-	-	-	-	12,846,540	12,846,540

**8. Interest in unconsolidated structured entities**

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

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

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

The tables below set out interests held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held:

There were no interest in unconsolidated structured entities as at June 30, 2018 and as at December 31, 2017.

**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.

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**9. Redeemable units**

Redeemable units transactions include 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:

	<b>June 30, 2018</b>		
	<b>Class A</b>	<b>Class B</b>	<b>Class F</b>
Units - Beginning of period	2,277,515	8,096,561	3,628,687
Redeemable units issued	6,428	18,871	96,649
Redeemable units reinvested	-	-	-
Redeemable units redeemed	(228,038)	(1,713,180)	(835,607)
Units - End of period	<u>2,055,905</u>	<u>6,402,252</u>	<u>2,889,729</u>
	<b>June 30, 2017</b>		
	<b>Class A</b>	<b>Class B</b>	<b>Class F</b>
Units - Beginning of period	3,190,806	13,323,677	5,752,158
Redeemable units issued	17,873	71,387	161,256
Redeemable units reinvested	-	-	-
Redeemable units redeemed	(715,217)	(2,820,380)	(1,506,894)
Units - End of period	<u>2,493,462</u>	<u>10,574,684</u>	<u>4,406,520</u>

Certain directors and/or related parties of the Fund held 1.86% of the Fund units at June 30, 2018 (December 31, 2017 – 1.67%).

**10. Fees and expenses**

*a) Management fees*

Pursuant to the terms of a 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:

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

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 \$2,606,342 were incurred for the period ended June 30, 2018 (June 30, 2017 – \$4,012,472) of which \$770,313 (December 31, 2017 - \$894,365) were outstanding at period end.

#### ***b) Performance fees***

The Manager is entitled to a performance fee equal to 20% 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 \$nil were incurred for the period ended June 30, 2018 (June 30, 2017 - \$nil) of which \$nil (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 record-keeper, 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).



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#### *d) Commission expense*

The commission expense resulted from an agreement (the “Agreement”) with unrelated third parties (the “Third Parties”) in relation to an investment in a portfolio company (the “Position”) in the principal amount of US\$12,500,000 (the “Investment”).

Under this agreement, the Third Parties shall assist and support the Manager in the negotiation and execution of specific investment transactions and in return, upon the repayment of the Investment in full, the Third Parties shall be entitled to a commission amounting to 35% of any amount realized on the investment in excess of the principal amount.

During the period ended June 30, 2018, the commission expense and amount payable to the Third Parties in respect of realized and unrealized gains related to this investment amounted to \$nil and \$nil, respectively.

#### **11. Soft dollar commissions**

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the Manager. The Fund paid \$156,022 (June 30, 2017 - \$221,493) in soft dollar commissions during the period.

#### **12. Financial risk management**

The Fund’s financial instruments consist of investments, investments pledge as collateral, cash, due from broker, accrued interest and dividends receivable, subscriptions receivable, other assets and liabilities, securities sold short, dividends payable on securities sold short, management fees payable, accounts payable and accrued liabilities, due to broker and redemptions payable. As a result, 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 (other than interest rates and foreign currency exchange rates). 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

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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:

	<b>At June 30, 2018</b>		<b>At December 31, 2017</b>	
	<b>Fair Value</b>	<b>% Net Assets</b>	<b>Fair Value</b>	<b>% Net Assets</b>
Equity securities (Long)	\$ 420,704,504	109.49%	\$ 525,747,243	111.57%
Derivative assets				
Option contracts	-	-	2,161,789	0.46%
<b>Total market exposure</b>	<b>\$ 420,704,504</b>	<b>109.49%</b>	<b>\$ 527,909,032</b>	<b>112.03%</b>

	<b>At June 30, 2018</b>		<b>At December 31, 2017</b>	
	<b>Fair Value</b>	<b>% Net Assets</b>	<b>Fair Value</b>	<b>% Net Assets</b>
Equity securities (Short)	\$ (29,490,285)	(7.68%)	\$ (15,256,128)	(3.24%)
Derivative liabilities				
Option contracts	-	-	(2,147,107)	(0.46%)
<b>Total market exposure</b>	<b>\$ (29,490,285)</b>	<b>(7.68%)</b>	<b>\$ (17,403,235)</b>	<b>(3.70%)</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 \$19,560,711 (December 31, 2017 -\$25,525,290). Actual results may differ from this sensitivity analysis and those results could be material.

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**b) Interest rate risk**

As at June 30, 2018, 7.15% (December 31, 2017 – 5.46%) of the Fund’s investment portfolio includes interest bearing corporate 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 and the fair values of its interest bearing investments.

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*	\$ -	\$ 26,842,859	\$ 624,459	\$ 27,467,318

	Less than 1 year	1 - 5 years	More than 5 years	Total
<b>As at December 31, 2017</b>				
<b>Financial Assets</b>				
Bonds*	\$ 2,578,028	\$ 20,415,717	\$ 2,721,756	\$ 25,715,501

\* 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 decrease or increase in net assets for the year would amount to approximately \$17,017 (December 31, 2017 - \$136,554). 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, and options 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

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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 table below:

As at June 30, 2018							
	Monetary exposure **	Non-monetary exposure *	Assets Hedged by forward contracts	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase	
Euro Currency	\$ 15,334	-	\$ -	\$ 15,334	0.00%	\$ 767	
US Dollar	\$ (146,432,727)	148,308,572	\$ -	\$ 1,875,845	0.49%	\$ 93,792	
<b>Total</b>	<b>\$ (146,417,392)</b>	<b>\$ 148,308,572</b>	<b>\$ -</b>	<b>\$ 1,891,179</b>	<b>0.49%</b>	<b>\$ 94,559</b>	

  

As at December 31, 2017							
	Monetary exposure **	Non-monetary exposure *	Assets Hedged by forward contracts	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase	
Euro Currency	\$ 15,064	-	\$ -	\$ 15,064	0.00%	\$ 753	
US Dollar	\$ (207,735,271)	203,024,229	\$ -	\$ (4,711,042)	-1.00%	\$ (235,552)	
<b>Total</b>	<b>\$ (207,720,207)</b>	<b>\$ 203,024,229</b>	<b>\$ -</b>	<b>\$ (4,695,978)</b>	<b>-1.00%</b>	<b>\$ (234,799)</b>	

\* 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. The 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 of. 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

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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.

	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	\$ 29,490,285	\$ -	\$ -	\$ -	\$ 29,490,285
Management fees payable	-	770,313	-	-	770,313
Dividends and interest payable on securities sold short	-	205,778	-	-	205,778
Accounts payable and accrued liabilities	-	-	-	873,527	873,527
Loans payable	-	172,915,715	-	-	172,915,715
Redeemable units	384,268,908	-	-	-	384,268,908

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	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	\$ 15,256,128	\$ -	\$ -	\$ -	\$ 15,256,128
Forward contracts	-	-	-	-	-
Written options	-	1,210,642	936,465	-	2,147,107
Management fees payable	-	894,365	-	-	894,365
Dividends and interest payable on securities sold short	-	458	-	-	458
Accounts payable and accrued liabilities	-	-	-	873,527	873,527
Redemption Payable	-	15,895,099	-	-	15,895,099
Due to broker	-	5,525,000	-	-	5,525,000
Loans payable	-	246,552,140	-	-	246,552,140
Redeemable units	471,264,810	-	-	-	471,264,810

*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 manager performs 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 disclosed below:

Rating	Percentage of net assets	
	June 30, 2018	December 31, 2017
AA/Aa	0.00%	0.00%
A/A	0.00%	0.00%
BBB/Bbb	0.00%	0.00%
Below BBB	0.00%	0.58%
N/R	7.15%	4.88%
<b>Total</b>	<b>7.15%</b>	<b>5.46%</b>

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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.

The Fund also engages in securities lending transactions. The credit risk related to securities lending transactions is limited by the fact that the value of cash or securities held as collateral by the Fund in connection with these transactions is at least 102 percent of the fair value of the securities loaned. The collateral and loaned securities are marked to market on each business day. The aggregate dollar value of portfolio securities lent and collateral held under securities transactions is stated in Note 3.

As at June 30, 2018 and December 31, 2017, the Fund’s net assets were also exposed to credit risk arising from forward contracts. The credit rating of the counterparties as at June 30, 2018 and December 31, 2017 were:

<b>Portfolio by rating category</b>	<b>Percentage of net assets</b>	
	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Rating</b>		
AA/A+/A	0.00%	0.00%
<b>Total</b>	<u>0.00%</u>	<u>0.00%</u>

*(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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<b>Portfolio by Category</b>	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
Long - Bonds - Corporate Bonds	7.15	5.46
Long - Stocks - Energy	43.50	32.64
Long - Stocks - Materials	15.96	8.44
Long - Stocks - Industrial	4.24	7.45
Long - Stocks - Consumer Discretionary	10.08	14.84
Long - Stocks - Consumer Staples	-	0.38
Long - Stocks - Health Care	4.42	3.50
Long - Stocks - Financials	24.88	35.17
Long - Stocks - Information Technology	5.67	4.10
Long - Stocks - Telecommunications Services	0.43	1.67
Long - Stocks - Utilities	0.31	3.37
Long - Call Options	-	0.46
Short - Stocks - Materials	(0.14)	(0.32)
Short - Stocks - Consumer Discretionary	(1.86)	(2.92)
Short - Stocks - Health Care	(2.23)	-
Short - Stocks - Financials	(1.86)	-
Short - Stocks - Exchange Traded Funds	(1.59)	-
Short - Put Options	-	(0.46)
Cash, Including Cash Pledged as Collateral	36.40	42.50
Other Assets, Less Liabilities	(0.36)	(3.97)
Loan Payable	(45.00)	(52.31)
	100.00	100.00

**13. Exemption from Regulatory Filing**

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Vertex One Asset Management Inc., as Manager to the Fund, has provided notice to the securities regulatory authority that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Vertex One Asset Management Inc. will not be filing the annual financial statements for the Fund with the regulator.

**14. Increase (decrease) in net assets attributable to holders of redeemable units per unit**

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2018 and June 30, 2017 is calculated as follows:

<b>Class A</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (2,710,415)	\$ (654,237)
Weighted average units outstanding during the period	2,167,911	2,814,445
Increase (decrease) in net assets attributable to holders of redeemable units per unit	(1.25)	(0.23)



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

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<b>Class B</b>		<b>June 30, 2018</b>		<b>June 30, 2017</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$	(1,774,386)	\$	(1,051,655)
Weighted average units outstanding during the period		7,226,657		12,057,890
Increase (decrease) in net assets attributable to holders of redeemable units per unit		(0.25)		(0.09)

<b>Class F</b>		<b>June 30, 2018</b>		<b>June 30, 2017</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$	(4,159,815)	\$	(1,202,466)
Weighted average units outstanding during the period		3,227,010		5,121,736
Increase (decrease) in net assets attributable to holders of redeemable units per unit		(1.29)		(0.23)