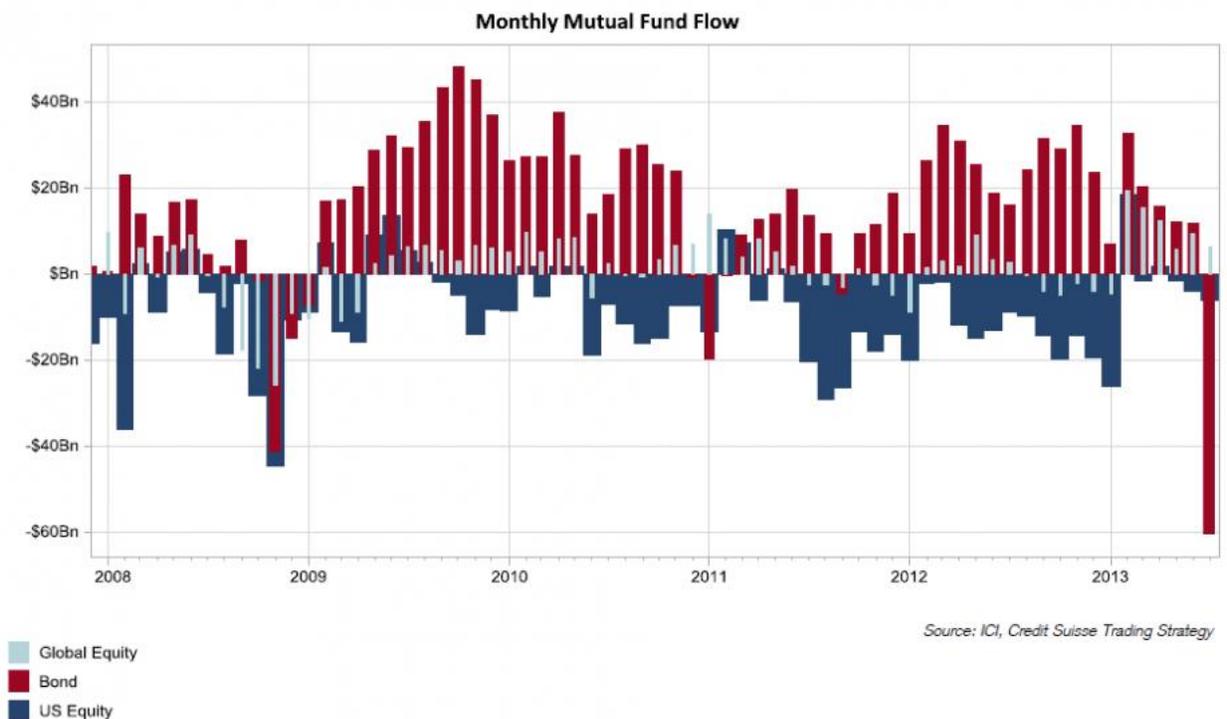


## VERTEX FUND

### Second Quarter Report, 2013

The Vertex Fund finished slightly down in this last quarter. We often hear of athletes that taper their activity within a week of a big competition. We now have the Fed using the word taper to describe their planned, reduced market activity in 2014. This caused the price of gold, Canadian dollar and bonds to plummet with interest rates rising almost 20% from their previous lows. Market volatility has increased as investment banks no longer use their balance sheets as a buyer of last resort and it allowed us to increase our positions in fixed income as we see interest rates peaking in the short term. This increase in short term volatility should bode well over the next 12 months to increase the yield in the Vertex Fund. The below chart prepared by Credit Suisse illustrates just how remarkable the outflows from bonds were in the month of June.



The second quarter saw the successful resolution of a number of our largest merger arbitrage positions: four of our five largest gains year-to-date occurred in the past couple months. From a Canadian perspective the most notable was the approval of BCE's deal to buy Astral Media. This was our largest position recently and the market's nervousness around the CRTC approval of the deal caused the return to be very attractive (approximately 4% gross the day leading into the announcement, though it was closer to 2% gross for most of the quarter). We felt the risk-reward was very attractive, as the underlying fundamental value of Astral had increased significantly during the fifteen-months the deal was under review. In the US, our second quarter was characterized by a number of bumps - the good kind, where the bid has to be 'bumped' in order to secure the deal. Our largest positions were related to Sprint and Clearwire, which were the targets of a hostile battle between Softbank and DISH Network. Our outright long Sprint position was the beneficiary of an approximately 15% higher bid from Softbank to win the day, and while we didn't own any Clearwire common that also received a bump, we did have a large position in the first-lien notes that have been yielding 11% since this saga started last fall. Other

noteworthy wins were a bump in the bid for Plains Exploration from Freeport and raised consideration from T-Mobile to get the vote in MetroPCS.

While we are always glad to see bids raised for companies we own, one cannot count on such outcomes as they are not the bread-and-butter of merger arbitrage. Looking into the third quarter, there are fewer situations outstanding that we consider being extremely attractive. As alluded to in our last quarterly letter, we are disappointed by the relatively low volume of new deal announcements despite conditions being ripe for M&A. The recent volatility in markets, particularly the credit markets, may serve to further delay activity, but has acted as an opportunity to increase our exposure to yield bearing securities that we had sold last year.

**PERFORMANCE** (Class A shares as at June 30, 2013)

<b>Net Asset Value</b>	<b>1 Month</b>	<b>3 Month</b>	<b>Year to Date</b>	<b>1 Year</b>	<b>5 Year<sup>+</sup></b>	<b>10 Year<sup>+</sup></b>	<b>15 Year<sup>+</sup></b>	<b>Since Inception<sup>+</sup></b>
\$66.9500	-1.86%	-0.28%	5.50%	15.12%	5.27%	13.59%	15.72%	16.54%

<sup>+</sup>annualized returns

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 annual compounded total 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.