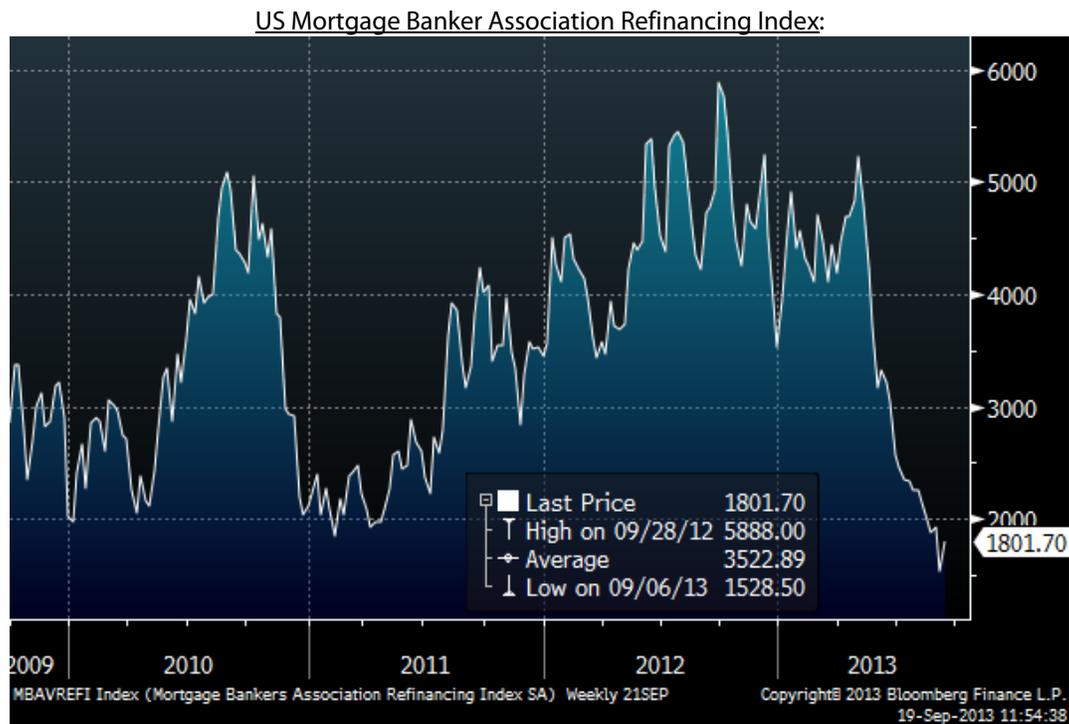


**VERTEX FUND**  
Third Quarter Report, 2013

All the value of our funds, its investment ideas and the strength of the economy are determined by two words: "interest rates".

Capitalism at its most basic and complex levels revolve around interest rates. Apple may have picked the top of the bond market with its bond issue earlier this year but Verizon proved the bubble in yield-land is very much alive with a quickly executed \$49 billion dollar bond deal that was heavily oversubscribed and traded immediately at a 4% premium (leaving \$2 billion of profit on the table). The growth in fixed income assets had continued unabated until this quarter, when we saw the largest increase in rates on a percentage basis which caused mortgage refinancing activity in the US to plummet by over 80% (see below chart). Car sales declined by double digits and a run on fixed income funds began. Interest rates really do make the world go around so it's fitting that the main drivers of the US economy - housing and auto sales - got slammed in the quarter.



We have taken note of this shot across the bow and reduced our exposure to lower yielding notes and added some oil & gas names that yield more than 9%. Additionally, we added more exposure to floating-rate notes.

On the short front, we have fielded numerous questions on our short position in JC Penny over the last year and a half and we are happy to report that we have covered our most profitable short ever. We even turned around and bought some bonds that have a double digit yield supported by a company which has raised \$3 billion in new funds this year. That's right: we are bullish on JC Penny debt!

European banks have been one of our favourite investment ideas, so it is with a sense of melancholy that we say goodbye to Lloyds of London. The equity now trades at book value from a previous 30% discount and the bonds are trading through par. We had a blast and miss you already but we still have some fry left to cook in Euro land as Royal Bank of Scotland still remains our largest position. We will be discussing some more Euro ideas at year end.

Our approach to the portfolio remains unchanged, dividing it by three main strategies: M&A, High Yield and Long ideas with an equal allocation to each.

The arbitrage portfolio continued to earn steady returns in the quarter. Whereas last quarter our performance was buoyed by a handful of outsized winners, this quarter was all about hitting lots of singles and having no meaningful losers. This profile is more typical of what we'd expect from our arbitrage strategies. Our largest wins came from the successful resolution of the Dell management buy-out and the announcement of the acquisition of Élan Corp by Perrigo Company.

Our brilliant idea to decrease our US dollar hedge worked half of the time but didn't the other half of the time, so recently we have taken our non-event money maker and increased most of the dollar hedges.

**PERFORMANCE** (Class A shares as at September 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>
\$69.3641	0.62%	3.61%	9.30%	11.45%	14.34%	12.87%	17.79%	16.52%

<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.