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VERTEX FUND

First Quarter Report, 2015

At the end of 2014 we admitted to being early with our investment in European companies. The first quarter of 2015, however, breathed life into this geography. The light turned green with the January announcement of QE (quantitative easing) in Europe. The result: European equities have risen 20% so far this year. As investors get excited with the upcoming IPO of Ferrari, our best performer – on that side of the pond – has been Fiat. In hindsight, the US financial sector has been one of the biggest beneficiaries of QE. We believe this lesson learned south of the border will translate across the pond. Concordantly, we have added to positions in the European banks Commerzbank and Deutsche Bank, in addition to the UK banks we already own.

At the end of the day, interest rates are the cornerstone of capitalism and they drive capital decisions for investors. As interest rates turn negative in Europe, this capital allocation will flow into equities. Today, 70% of all European stocks now yield more than their own bonds, and the Eurostoxx 600 (an index of European stocks) now yields more than six times what long German bonds yield. Historically, this has been an excellent indicator that stocks, as an asset class, are being undervalued. Discord such as this doesn't last. Investors in need of yield will move out of bonds and into equities. This will push stock prices up, which will in turn decrease their yield. We may have a serious melt-up in European stocks if interest rates don't increase – this disparity can't exist forever. If we include the recent purchases of equities, bonds, and M&A deals, approximately 30% of the portfolio has European exposure.

With regard to merger arbitrage, last quarter we discussed changing US tax code interpretations aimed at preventing American companies from re-domiciling through "inversion" transactions. One of the great ironies of the outcry over inversions is that foreign takeovers of US companies continue without a peep from Washington about the hollowing out of the US tax base. Our two largest arbitrage positions are both being acquired by German companies: Sigma-Aldrich by Merck KGaA and TRW Automotive by ZF Friedrichshafen AG. These are solid strategic transactions, with low regulatory risk, offering mid- to high-single digit rates of return in highly liquid securities. Of the roughly 40 arbitrage deals held in the fund's portfolio, only two have meaningful exposure to oil prices: Talisman (being acquired by Repsol) and Dresser-Rand (being acquired by Siemens). These spreads are offering 20%+ rates of return and have strong contracts with committed buyers. The pharmaceutical company Allergan contributed the largest net return in the portfolio over the first quarter. Much like Tim Hortons, where we continued to own the equity we received as part of that deal, we now own shares of Actavis, which have delivered an annualized return to shareholders of over 50% in the past five years.

PERFORMANCE (Class A returns as at March 31, 2015)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	5 Year+	10 Year+	15 Year+	Since Inception+
$66.9492	-1.45%	7.92%	7.92%	-3.21%	5.60%	9.21%	11.93%	15.57%

Net of all fees and includes reinvested distributions.

+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.