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VERTEX FUND

Third Quarter Report, 2015

Throughout the third quarter, the fund saw both one of its best and one of its worst months of the year. The Vertex Fund has held its own with a positive return year-to-date, while the TSX and the Dow Jones have declined on average by 9 % year-to-date. Although the fund is beating global benchmarks this year, the best is yet to come for unitholders.

The recent sell-off started in earnest when the Federal Open Market Committee (F.O.M.C.) failed to raise rates, as the market had been expecting. The I.M.F. recently called for an expanded monetary approach – we believe another round of Quantitative Easing could be shortly upon us to help stimulate inflation and fight deflationary forces.

If the interest rate news wasn't bad enough, management at Volkswagen and Audi poured gasoline on the fire by announcing the unconscionable act of building an emissions cheating device in all of their diesel cars. This dragged European markets lower at more than twice the pace of the North American decline. The fund suffered disproportionately due to our large European weight, and due to our largest European holdings being Fiat Chrysler. Moreover, not only did stocks sell-off, bonds suffered as yields widened.

Yields have finally gotten into the double digit range again, which is in our snack bracket. We've been adding exposure to names in energy for the first time in a year. Additionally, we have sat by and watched the decline in oil and gas names to the point where things are too much of a bargain to resist.

Names Added	One Year Performance	Year To Date Performance
Baytex Energy	-89%	-77%
Paramount Energy	-85%	-65%
Crescent Point	-58%	-43%
RMP Energy	-81%	-72%

These share prices (shown above) reflect the deep recession that Alberta is in. Now, shares could of course go down another 50% from here, but we added a 15% energy weight in the portfolio during August. Money managers in most dividends funds were forced to sell these stocks as most have halted dividends in the past 90 days. Ironically, we are seeing insider purchases in most energy names at a time when investors are selling. Some estimates show capital expenditures on oil and gas have likely been cut globally by half a trillion dollars. EOG Resources has said they believe US production will end 700,000 barrels per day lower this year, whilst demand in the US and globally has grown by 1%. The Baker Hughes Rig count has fallen from 1,600 to 614 in the past year. More demand and lower supply will lead to higher prices and a higher Canadian dollar. The sell-off in oil made us extremely negative on the Canadian dollar, and for the first time in years we no longer hedged the US dollar. Now that oil is closer to a bottom than a top, our portfolio is once again fully hedged against the US dollar.

Three key components assure us that this is just a correction (unlike 2008, which was reason to panic):

1. US dollar two-year swap rates are at very low levels and have always spiked with all previous bear markets.

2. VIX Index as a measure of volatility is below 20 as we write this letter.

3. Most importantly, European stocks yield more than bonds yield!

Our overweight in European equities results in average European equites yielding 4% vs. average sovereign bonds yielding half that. Europe looks just like America did in 2009, when the S&P 500 yielded more than Treasuries, with the start of Quantitative Easing.

Since the last quarter, two of our largest holdings (Fiat and InterActiveCorp) have had loses of over 20%. We expect this to reverse, however, in the next 60 days due to two massive catalysts:

First, within the next fortnight we expect the listing of Ferrari, as a spinout from Fiat, to be a key event for the fund. We believe that Ferrari has the potential to be worth as much as Fiat and we should see a commensurate share price increase in Fiat once investors see the success of this IPO. The issue is already fully subscribed and the road show has yet to begin.

Second, is InterActiveCorp's upcoming IPO of Match.com expected sometime before the end of the year. If you own an iPhone, please do the following: open the App Store on your phone, go to the Top Charts and look at the list of Top Grossing apps. You will note that Tinder is in the Top 10 and Match.com is in the Top 40 of all apps. This is great news for the IPO of Match.com, which owns Tinder and Plenty of Fish (the company would likely get even more traction if it were called Tinder). Spotify, which is grossing in line with Tinder at the app store, recently raised funds at an $8 billion market valuation; based on multiples of revenue, this would imply a 150% increase in value of our Tinder investment. This should be the hottest public offering this year, next to Ferrari – hence these two investments are our largest holdings.

In other news, after having held Royal Bank of Scotland (RBS) for over five years, we are no longer shareholders. The sale of the first tranche of government shares failed to catalyse a higher share price as we had seen in previous auctions for Citigroup, GM, and Bank of America.

For arbitrageurs, the current level of M&A activity might be considered 'too much of a good thing'. While we always welcome more deals as a means of building our highly diversified portfolio, we are now seeing mergers that are aggressive in terms of regulatory approvals needed, valuations paid, or financing required. Looking over 6 of the largest deals in the universe currently (only 3 of which are in the portfolio) serves to highlight the nature of the deal flow we are seeing in this environment.

Deal	Size	Annualized Spread	Issue	Fund Owns
Time Warner Cable/Charter	$50B	16%	Requires FCC approval. FCC recently blocked Comcast from acquiring Time Warner Cable.	Y
Cigna/Anthem	$35B	30%	Anti-trust. Along with the Humana/Aetna merger, seeing the 5 largest players consolidate into 3. Health care costs are politically sensitive in an election cycle.	N
Broadcom/Avago	$31B	15%	Unknown timing of Chinese regulatory approvals. Risk has increased as semiconductor space has weakened. Transaction structure is unique.	Y
Precision Castparts/Berkshire Hathaway	$31B	7%	Vanilla. Best buyer possible.	Y
Williams/ETE	$27B	8%	Extreme volatility in energy mid-stream space. Stocks are down 40% in 3 months.	N
Baker Hughes/Halliburton	$22B	50%	Severe anti-trust risk. #2 and #3 player combining.	N

While we've been weathering some month-to-month volatility in spreads as a result of the types of deals we are seeing, we do think the current environment is conducive to generating attractive returns in the neighborhood of our 4-6% expectation. In a zero-interest rate environment, getting paid 7% in a vanilla transaction, with Warren Buffett as the buyer, (see above Precision Castparts) is one of the most attractive risk/rewards we have seen in a long time.

PERFORMANCE (Class A returns as at September 30, 2015)

Net Asset Value	**1 Month**	**3 Month**	**Year to Date**	**1 Year**	**5 Year+**	**10 Year+**	**15 Year+**	**Since Inception+**
$63.1258	-8.67%	-6.93%	1.76%	-6.78%	4.55%	7.05%	10.49%	14.72%

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.