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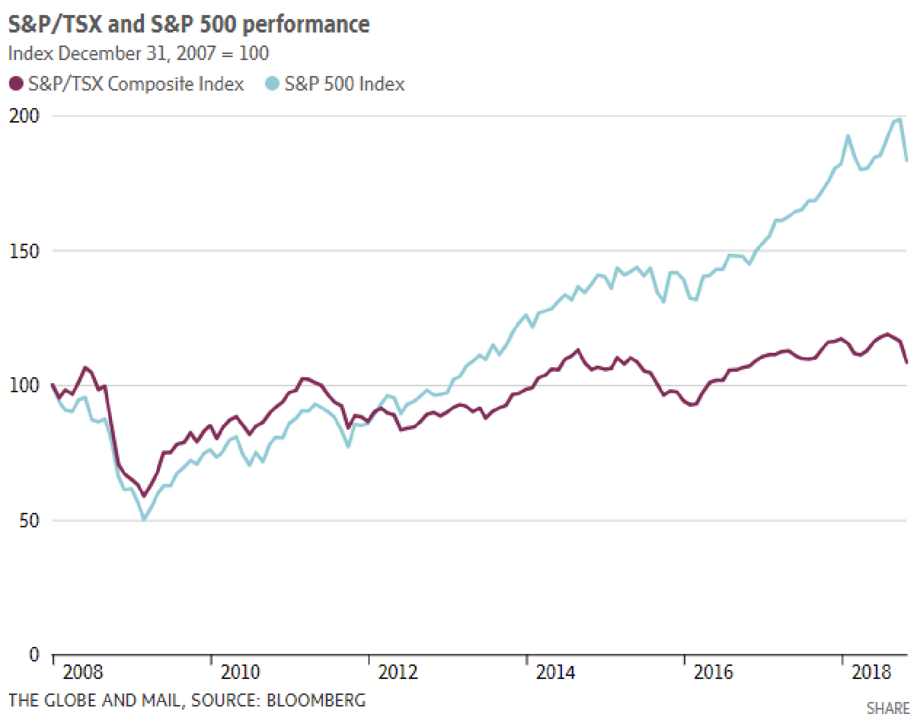
VERTEX FUND

Third Quarter Report, 2018

Buying 80,000 barrels of oil a day from Saudi Arabia for a total annual cost of $2.5 Billion dollars is not Making Canada Great Again.

Being a Canadian portfolio manager is a tough gig, and our results over the past ten years have been similar to the TSX. Our country, like our fund, is stuck in a rut. In fact, this year *all* countries, except the United States, have had negative returns year-to-date, as of September. At the time of writing this in October, global stock markets are now sharply down, mainly on concern over higher interest rates and the fear of Chinese tariffs impacting the global economy. We can't control stock prices, but we can control the value we own. Our portfolio is mainly unchanged over the past year. Although, we have concentrated the portfolio more towards our favourite holdings. As such, we expect the portfolio to be more volatile in the short run - to the upside as we saw in May and to the downside as we see now in October. However, the deep discounts in our holdings will champion outsized returns in our fund for the future. This period in the Canadian stock market has been called the "lost decade" by the Globe and Mail, and it's hard to argue against that.



As a catalyst investor with a contrarian, value-bent, now is an enticing time to own deep value. We have liked four main champions in our portfolio, of which, two are mainly comprised of cash: Guardian Capital and Social Capital Hedosophia Holdings, and have been flat performers. Being flat, Guardian has been a star relative to their competitors who are down 30% this year. The latter describes the Canadian equity industry quite well, which has been down 'n out due to a market of forced sellers from redemptions.

With the growth of populism, it's hard to differentiate between reality and perception. The reality is that we have had double-digit increases in the prices of oil this year and last. The growth in oil consumption over the past few years has been a strong macro environment for oil. Global consumption hit 100 million barrels of oil for the first time. That is the reality, but the perception that this would be good for oil & gas stocks has not been the case, where we have seen double-digit declines in energy shares over the past two years. Right now, the market does not seem to care. It is focusing on the rise of interest rates and the effect of tariffs on the economy. Raising interest rates by 25 basis points from such a low level, which has become the norm since the financial crisis, is equivalent to raising rates by 75 basis points in a normalized rate environment. We have raised rates five times in Canada and south of the border long-dated mortgages have gone from 3.88% to 4.85%. These are more than 25% increases which are being felt throughout the economy, but, historically speaking still a low cost for debt.

Our two biggest energy holdings, Petroshale and Lilis Energy, are down substantially as of October. If you look at all our other holdings, they are down modestly versus the declines in our 40% weight in oil and gas. Free-cash-flow at these companies continues to grow, but the market is only rewarding those that buy back stock and not those that reinvest into businesses. We prefer growth companies at a value price, and our largest holding Petroshale now trades at 1.7x cash flow. Yes, we loved it as cheap when it was 50% higher at 2.5x cash flow. Petroshale is on track to triple production and cash flow this year and double it again next year.

Lilis Energy has grown too quickly for infrastructure to keep up, and like many players in the Permian Basin of Texas, they have had to shut in 25% of their production until they can get the pipeline capacity. Unlike in Canada, we expect this issue to be resolved within 120 days. So, it is a very short-term penalty box for them. We love having companies that are growing too quickly in our portfolio, with problems they can solve. The stock market over the short term has been ruthless by cutting their share price in half. Lilis will also nearly triple production this year and is also on track to double it in 2019. Lilis trades on its land value alone at $18,000 per acre versus recent valuations in excess of $70,000 per acre. At these current prices, we would expect competitors to buy out these companies, as we have seen equity strength come from mergers and acquisitions. Now, for the first time in a long while, we are seeing mergers in the oil and gas industry with acquisitions of: Ikkuma Resources, Wildhorse Resource, Penn Virginia, Newfield Exploration, and the hostile takeover attempt of MEG Energy. Free-cash-flow growth and share buybacks show that companies who are deeply discounted will be taken over.

The rest of our portfolio continues to be represented by core value in strong franchise names that are growing earnings-per-share consistently and trade at large discounts to their growth rates. Our core holdings are: JPMorgan, Air Canada, Bausch Health, Brookfield Business Partners, Intermap Holdings, Ensco, Kelt Exploration, and Micron Technology.

We are keeping our head down and nose to the grindstone in these absurd times. As always, please feel free to reach out to us if you would like to go over this fund or your portfolio.

PERFORMANCE (Class A returns as at September 30, 2018)

Returns are net of all fees and include reinvested distributions.

Net Asset Value	**1 Month**	**3 Month**	**Year to Date**	**1 Year**	**5 Year+**	**10 Year+**	**15 Year+**	**Since Inception+**
$67.1891	2.14%	-0.05%	-1.79%	3.92%	1.84%	7.91%	9.06%	12.79%

+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.