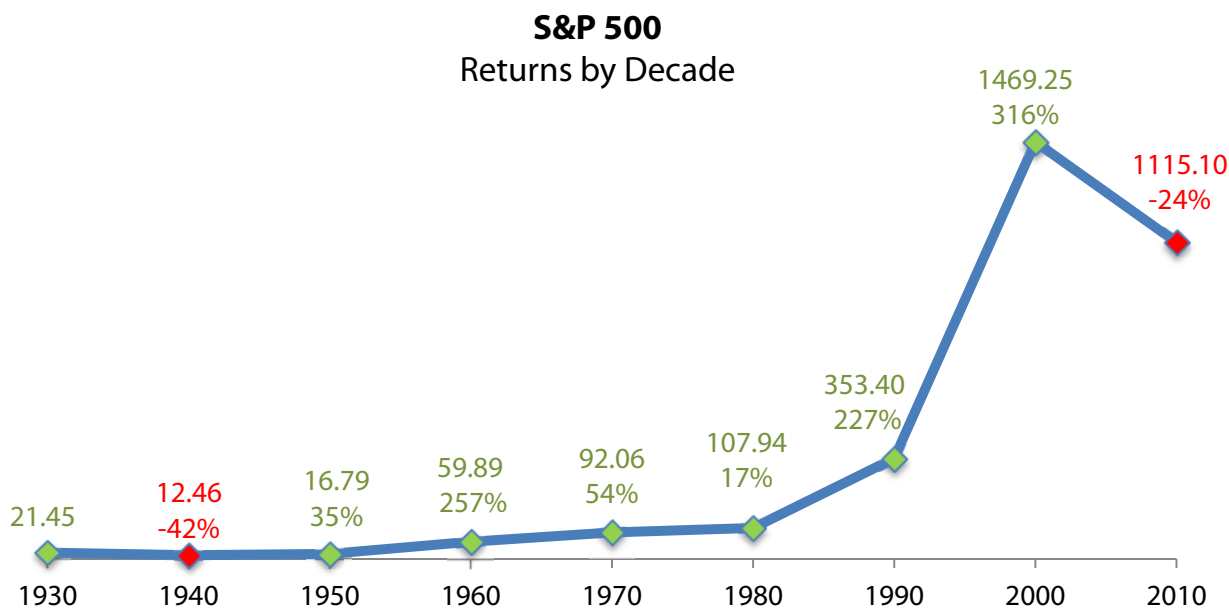


VERTEX MANAGED VALUE PORTFOLIO

First Quarter Report, 2014

The days following the 2008 credit crisis, when panicked investors practically gave their stocks away, are without a doubt a distant memory. This has certainly made our job more difficult. Stock markets are back in their old patterns of making new all-time highs. This has investors nervous as many have become accustomed to markets being range bound and restricted from making new highs. In 2000 and 2008 new all-time highs were followed by disasters. Consequently, shell-shocked investors' nerves are rightfully agitated when reading headlines of new all-time highs. It is inconceivable that a market could be hitting new all-time highs and not simultaneously be outrageously overvalued. Yet, long-term history suggests this is a normal trajectory (see chart below). It is possible to go back even further in history; that would simply provide more evidence that new highs are normal. In fact, only two decades in the last 110 years (1930-1940 and 2000-2010) was this not the case. Certainly there are corrections along the way, and the path is nowhere near as linear as our chart suggests. Nevertheless, it is not about where your investments are today or tomorrow. What matters is where they are in three and five years.



Further, the broadest market index (the S&P 500) trades today at roughly 16 times price-to-earnings, which historically is not expensive. This holds especially true in a 2.6% 10-year Treasury bond environment, where bonds essentially trade at 38 times price-to-earnings. Bonds are really expensive or stocks are really cheap. Either way, an investor is better off positioned in the relatively inexpensive asset class. Getting back to why our job is more difficult, many stocks are now above the market's 16 times price-to-earnings and not a lot are much below this metric. As such, while scouring the investment universe searching for new investments, we are forced to review portfolio holdings as some have jumped from under 10 times earnings to a number closer to the market average.

One of the few industries fitting our criteria is mining. Yes, closing in on the age of 50 can cause a loss of mental acuity, for sure. However, this criterion is a metric of buying companies that are making money and trading at half their book value, after writing down their book value by almost half. This was forest products in 2009, American banks in 2010 and now it's mining companies in 2014. Stay tuned, for we're really just getting to know this sector – it's been a while since value and mining were synonymous! We have taken positions in two British Columbia copper miners. These firms are both down about 75% from their mining euphoria highs and will benefit from a cheaper Canadian dollar and a relatively mining friendly political environment. Additionally, gold miners are looking very interesting. Some firms have written down book values tremendously, now trade below book value, have jettisoned marginal mines and have found religion with regard to the real cost of mining-per-ounce; which is now about \$1200. The likelihood gold slips below this price, for a significant period of time, is slim. So it seems there is a floor under both gold and gold mining stocks . . . finally. With this as a back drop, gold company CEOs are talking free-cash-flow . . . words almost never heard from this industry. We will keep you posted; it is likely we will have a position or two within the next quarter.

On the economic front, America has had a bit of a slowdown of late, but almost all of it is weather related – very different from the credit related slowdown in China. Winter storms have affected every part of the American economy but my guess is growth will catch-up; being back-loaded now to quarters 2, 3 and 4 of 2014. America is gaining global market share and after recent meetings with CEOs of multiple industries, I will go out on a limb and suggest contrary to what we hear in the media; in health sciences, technology, factory automation, energy services and many other industries, the USA is not falling behind, but pulling ahead of other nations. This supports a continued global economic recovery, no doubt with a few hiccups. However, taking the long-view, hiccups, corrections and uncertainty leads to opportunity. Opportunity to make money that is . . .

PERFORMANCE (Class A shares as at March 31, 2014)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	5 Year⁺	10 Year⁺	15 Year⁺	Since Inception⁺
\$24.8666	-1.15%	4.73%	4.73%	24.21%	18.38%	8.78%	10.35%	9.78%

⁺annualized returns

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Managed Value Portfolio on March 31, 2014 are:

- | | |
|-------------------------------|------------------------------|
| International Forest Products | West Fraser Timber Co |
| Genworth Financial | XL Group |
| Conifex Timber Inc. | Aspen Insurance Holdings |
| Platinum Underwriters | Canfor Corp |
| Montpelier Re | Goodyear Tire and Rubber Co. |
| Unisys Corp | Regions Financial |
| Partner Re | Copper Mountain Mining Corp |
| Synovus Financial Corp | Keycorp |
| Mattel Inc. | BOFI Holdings |
| Jabil Circuit Inc. | Banco Santander SA |

ASSET MIX

Cash	0.0%	Canadian Equities	25.0%
Fixed Income CAD	1.4%	Foreign Equities	73.0%
Fixed Income USD	0.1%	Preferred Equity	0.3%
		Warrant	0.2%

This statistical information is intended to provide you with information about the Vertex Managed Value Portfolio. 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.