

VERTEX MANAGED VALUE PORTFOLIO

Second Quarter Report, 2014

Gentlemen Prefer Lumber

Pretty much nothing happened this quarter. Some stocks went up, others went down. All the while the USD dropped, leaving us roughly flat. That said, there's little to discuss other than geopolitical events which could get us worked up, but then again, hindsight has taught us reacting to these will be detrimental to returns.

Oil, gold and the CAD\$ rallied on fear of the Fed and/or Middle East tensions. But seriously though, gentlemen prefer lumber. True, we did make mention of gold looking interesting in our previous report, but haven't executed on that notion. Although the trade looks good, others still look better. Lumber is straightforward, no fear attached. Just plain old supply and demand drive it. Few are concerned about how geopolitics will affect the price of lumber; so few in fact that forest stocks are barely represented in any market indices. It is time to reiterate the basic rationale for why lumber, timber, and fiber investments are well represented in your fund. It simply *is* a good place to be. Housing starts went from over 2 million in 2008 to 450 thousand in 2010 and are now roughly 1 million. Housing will rise back to 2008 levels at some point prior to 2020. China, the pine beetle, green fuel, increasing penetration of wood as a building material globally, industrial and packaging demand and finally bigger homes are eating away at supply. Yes, bigger homes. During the downturn, a theory emerged that austerity would prevail and although housing would return to normal one day, less wood would be consumed as smaller homes would be built. This isn't happening. When was the last time you moved into a smaller home? Exactly! Of course people want a bigger home than their neighbour, parents and friends. It's in our DNA. Couple this demand with constrained supply and we have odds highly stacked in favour of rising lumber prices. Add in the fact that modern sawmills are some of the most technologically advanced manufacturing facilities on earth and can generate decent profits at moderate lumber prices, the trade becomes very compelling. Further, few investors are in lumber. Thus, it's not crowded and therefore safer in the event investors want out.

Notwithstanding the last paragraph, forest stocks were our worst performer - down on average around 25%. Fortunately, recent additions of Copper Mountain and Taseko Mines as well as performance from electronics and reinsurance kept us from dipping deep into the red, even with strong currency headwinds.

Looking forward, we will religiously sell stocks as they get above market price-to-value and replace them with those less expensive. We will be patient with these new investments and wait for value to be realized, then rinse and repeat. There's no stop losses, no charts, no momentum, no sector rotation, no algorithm, no worries about high frequency trading - no worries, period.

So no worries mate, talk again in September...

PERFORMANCE (Class A shares as at June 30, 2014)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	5 Year⁺	10 Year⁺	15 Year⁺	Since Inception⁺
\$24.7272	0.70%	-0.56%	4.14%	20.09%	17.02%	8.74%	9.99%	9.58%

⁺annualized returns

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Managed Value Portfolio on June 30, 2014 are:

International Forest Products	Copper Mountain Mining Corp
Conifex Timber Inc.	XL Group
Genworth Financial	West Fraser Timber
Platinum Underwriters	Skyworks Solutions
Montpelier Re	Goodyear Tire
Synovus Financial	Banco Santander SA
Partner Re	Canfor Corp
Jabil Circuit Inc.	Xerox Corp
Unisys Corp	Celestica
Mattel Inc.	Regions Financial

ASSET MIX

Cash	0.0%	Canadian Equities	24.84%
Fixed Income CAD	2.26%	Foreign Equities	72.40%
Fixed Income USD	0.13%	Preferred Equity	0.27%
		Warrant	0.10%

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.