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VERTEX MANAGED VALUE PORTFOLIO

Second Quarter Report, 2015

We are attracted to areas where disappointment has been extreme and sentiment is miserable. A brief review of historical holdings will reveal our ownership in such situations:

- reinsurance when nobody wanted it,
- lumber when investors were petrified,
- pharmaceuticals when they were considered dead,
- US banks when they looked like goners,
- stocks when gold was supposed to protect us from losing all our money in equities,
- American stocks when China was supposed to take over the world, and
- avoiding commodities when everybody agreed they could only go up.

I could go into great detail about your portfolio holdings or the macro economy in this report, but what's really important to us is human behavior – the one constant in an ever-changing world.

Our process is simple, very simple. If something is in high fashion, avoid it at all costs. Technology, commodities, Canada, China, and precious metals were all fashionable over the last twenty years. If something is not fashionable or has become so unfashionable that it's cause for embarrassment or ridicule, we *are* interested. When predictions of a new investment paradigm proliferate (peak oil), we run for our lives. When hearing predictions for the death of an investment sector or industry, we assess, invest, and prepare for an inevitable onslaught of criticism and "don't ya knows".

The final component of our process which has been mentioned in numerous reports is: time. Time is the ultimate arbiter of investment success. It's been shown by many that even if one buys the market at its top, time will fix this. In a very short-term investment world we use time to our advantage. By layering purchases of very inexpensive stocks, not only is it possible to do far better than the market, more importantly, we can do so with far less downside volatility. It works – reference the Fund's statistics over the last seventeen years.

A note on performance: rolling return numbers are always heavily skewed by short-term results. Performance always looks bad following a sell-off and terrific following a rally. The time to buy an investment is after the sell-off, but human behavior, that one constant, is ever-present. Don't get me wrong, your Vertex Managed Value Portfolio's performance looks very good right now, but I will do some quick math to illustrate my point. Say the five-year annualized return of your fund was 10%. In year number six, the fund is down 15% (a good time to buy). Your one year return is now minus 15% and your five year return just dropped by over half to 4.5% annualized. One is now stuck with what appears to be a loser fund…especially if "the market" went up that year. It happens all the time with non-indexed funds.

Time, though, will fix this imbalance – as it did with Japanese stocks, China, and the tech bubble. We've had some great performance in your Value Portfolio as of late, and there are tremendous opportunities available; but, recall short-term math is poor counsel. An outsized one-year return (resulting in a lift to the five-year number) is no more of a reason to buy a fund than it is to sell a fund after a poor one-year number (resulting in a drag on its five-year number). The investment process is what counts. If it's durable, logical, and simple, that's the reason why one should invest in a fund.

Finally, to not say a word about portfolio allocation would be obfuscation. Diversification is key, it results in performance from different areas at different times. This is the simplest concept in investing. Yet, too many chase current performance and want more of what's gone up and less of what's gone down. No matter the temptation, chasing performance is folly and will leave one poorer than if they stayed with a sound investment process, diversified by various assets.

We Are Moving

In order to accommodate the continued growth of our team we are moving offices. As of July 27th, our new office will be located in the MNP Tower. We welcome visitors.

Change of Address:
Suite 3200
1021 West Hastings Street
Vancouver, BC
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PERFORMANCE (Class A shares as at June 30, 2015)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	5 Year+	10 Year+	15 Year+	Since Inception+
$26.5799	-1.27%	2.69%	4.48%	7.49%	14.25%	8.57%	8.87%	9.46%

Net of all fees and includes reinvested distributions.
+annualized returns

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Managed Value Portfolio on June 30, 2015 are:

- Synovus Financial
- International Forest Products
- Conifex Timber
- Jabil Circuit
- Goodyear Tire and Rubber
- Unisys Corp
- Mattel Inc.
- Genworth Financial
- XL Group
- Beazer Homes USA
- Taseko Mines
- BOFI Holdings
- Schnitzer Steel Industries
- Banco Santander
- Zions Bancorp
- Keycorp
- Regions Financial
- Adept Technology
- Hovnanian Enterprises
- Skyworks Solutions

ASSET MIX

Cash	0.08%	Canadian Equities	27.58%
Fixed Income CAD	3.96%	Foreign Equities	64.18%
Fixed Income USD	3.84%	Preferred Equity	0.25%
Options	-0.16%	Warrant	0.08%