

VERTEX MANAGED VALUE PORTFOLIO

First Quarter Report, 2016

The Noise.

Distracted investing is like distracted driving – both can lead to catastrophic results. Investing is the process of finding quality companies at reasonable prices and allowing them to deliver results over time. Reacting to future unknowns, such as what ‘The Fed’ might do, is akin to texting and driving...responding to nonsense while driving your car over a cliff. Take this last quarter as an example. The ‘market’ was incredibly volatile and many ‘went to cash’, or took some other rash action as if the decline in January and early February were something more than short term random events, like the weather. You don’t throw your hat away because the weather channel says it might rain later. Worth noting, CEOs in our investee companies sold zero shares during the quarter. Many were buying, like we were. Why? Simply, business is going really well. Company after company reported great results during the first quarter of 2016. This disconnect between results and stock prices, by our recollection, is the largest witnessed since your funds’ inception. So here we are, with the majority of market participants trading stocks rather than investing in companies.

MARKET-TIMING DOESN’T WORK!

Numerous studies have shown that market-timing does not work; yet, market-timing is one of the most prevalent investment strategies practiced today. It may not be advertised as such but actions prove otherwise. Market timing is disguised with strategic lines like: “we’re holding 30% cash”, “we’re going to cash” etc. There are few investors left out there. Professionals and amateurs alike are literally playing with their money. A business’s success is not defined by a quarter or a year. Professionally managed funds are not immune to this impatience. Whether stocks, bonds, funds or real estate, chasing last years’ performance is a favoured but flawed process.

Optimism to feel confident about.

One day, we’ll all wake up and any one of the following will be true:

- The oil glut has turned into a shortage.
- There’s another shortage in copper.
- Global economies will surprise us with their strength not weakness.
- Housing starts will plough through 1.5 million a year en route to 2 million.
- Short sellers will have covered their Bank of Internet stock (our largest investment). Just as they did with Fairfax or the many other shunned stocks we have owned over the years.

The timing of any of these events is unknown, but go ahead and feel optimistic. They will occur, and as they do stock prices will rise dramatically and investors in Vertex One’s value strategies will be very satisfied. Experience suggests you won’t have to wait longer than five years...

A Healthy Fear of Crowds.

Worth comment, is the preponderance of passive ETF strategies which force more and more money into indexes, specifically fewer and fewer stocks. This action has sucked billions, if not trillions, out of smaller, profitable companies. Eventually this segmentation of the market will turn. When the next \$10 billion invested into a mega cap stock no longer moves the price, they will begin their inevitable decline. When they do, tens of billions flowing into smaller companies will move their stock prices wildly upwards. As always, there are many changes happening in our world – leaps in technology, medicine and our standard of living – but the one thing that hasn't changed is human behavior. It is the same today as it was in Paleolithic caves or Serengeti plains. Herd instinct is genetically coded into the human brain implanting fear, greed, and the comfort of crowds.

PERFORMANCE (Class A shares as at March 31, 2016)

Net Asset Value*	1 Month	3 Month	Year to Date	1 Year	5 Year⁺	10 Year⁺	15 Year⁺	Since Inception⁺
\$20.4886	7.09%	-3.65%	-3.65%	-10.58%	7.87%	6.66%	7.60%	8.22%

Net of all fees and includes reinvested distributions.

⁺annualized returns

*Post-Distribution

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Managed Value Portfolio on March 31, 2016 are:

BOFI HOLDING INC	TASEKO MINES LTD
INTL FOREST PRODUCTS	REGIONS FINANCIA
SYNOVUS FINANCIAL	ZIONS BANCORP
GOODYEAR TIRE AND RUBBER CO	SKYWORKS SOLUTIONS INC
CONIFEX TIMBER INC	PATTERSON-UTI
JABIL CIRCUIT	KEYCORP
SCHNITZER STEEL	PAINTED PONY PET
RIO TINTO PLC	FLEXTRONICS INTL
WESTERN FOREST	XL GROUP PLC
MAG SILVER CORP	MDC HOLDINGS INC

ASSET MIX

Cash	0.00%	Canadian Equities	32.26%
Fixed Income CAD	6.86%	Foreign Equities	59.06%
Fixed Income USD	1.76%	Warrant	0.04%
Options	0.02%		

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.