

VERTEX MANAGED VALUE PORTFOLIO

Second Quarter Report 2019

This June, Matthew Wood, lead portfolio manager and founding partner of Vertex One Asset Management, announced his retirement. For over twenty years, Matt has shared with us his passion for investing, and his vision and values have helped define the culture of Vertex One. Please join us in wishing Matt the very best as he moves into the next phase of his life.

Since launching Vertex One in 1998, we have remained dedicated to providing our investors with superior investment and relationship management. As part of this and our commitment to deliver improved investor outcomes, we took a diligent and thoughtful approach to our value and income manager succession planning. After a rigorous search process, we found our ideal partner on the same city block as us here in Vancouver, and we are excited to announce our portfolio advisor agreement with PenderFund Capital Management (“Pender”).

Effective July 1st, 2019, Pender became the portfolio advisor for the Vertex Managed Value Portfolio and the Vertex Value Fund, with David Barr, CFA and Felix Narhi, CFA serving as the primary portfolio managers for the funds.

For the past few years, we have been impressed by Pender’s steadfast approach to value investing, as well as their impressive history. Their experienced investment team brings an established, dynamic approach to active management, along with a firm culture that is strongly aligned with the values and investment philosophy of Vertex One.

On June 26th, we sat down with David Barr and Felix Narhi for an introduction to their investment philosophy and to discuss the future direction of the Vertex Value Fund and Managed Value Portfolio. While we encourage you to listen to the webcast by following the link below, we also highlight a few key talking points here:

- David and Felix share some of the main tenets of their value investment philosophy, including the importance of understanding the quality of a business or security, obtaining more value than they pay for, deploying capital in flexible mandates, and downside risk mitigation.
- What it means to take a “scuttlebutt” approach to value investing, as well as a private equity approach to public markets.
- Learn the Pender Way – “Compounders” and “Close the Discount” strategies.

[Click here to listen to the webcast in full.](#)

A Note from PenderFund Capital Management.

We want to thank Vertex One for the opportunity to act as portfolio advisors for the Vertex Value Fund and the Vertex Managed Value Portfolio. Looking forward our intent is to transition the portfolios to align with the existing Pender portfolios, and to do so in a manner that is in the best interests of the unitholders. Our first priority is to identify positions in the portfolios that we can immediately (or in the very near-term) replace with higher quality and lower risk positions from Pender's existing opportunity set. Moreover, we aim to do so without materially changing the potential return profile of the funds. This repositioning is likely to take up to six months.

From the outset, we have also been able to move quickly into several new opportunities that were trading at very attractive valuations.

We look forward to providing a more fulsome update in our next commentary, which will also include an overview of the key changes that have been implemented in the portfolio. Until then, please reach out to your Vertex One contact with any questions or for additional information on the transition.

Lastly, we would like to extend our sincere thanks for your patience and support as we move forward.

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.