

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2019

## **VERTEX LIQUID ALTERNATIVE FUND PLUS**

ACTIVE | UNCONSTRAINED | OPPORTUNISTIC | ABSOLUTE



This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-866-681-5787, by writing to us at:

Vertex One Asset Management Inc.  
Suite 3200 – 1021 West Hastings Street  
Vancouver, BC  
V6E 0C3

or by visiting our website at

[www.vertexone.com](http://www.vertexone.com)

or

SEDAR at [www.sedar.com](http://www.sedar.com)

Securityholders may also contact us using one of these methods to request a copy of the investments fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## INTERIM MANAGEMENT DISCUSSION AND FUND PERFORMANCE

### Results of Operation and Recent Developments

For the first five months of 2019, the Vertex Liquid Alternative Fund Plus Class B units returned 0.55% and Class F units returned 0.87%.

The fund's primary strategy remains merger arbitrage which seeks to buy companies that are in announced merger transactions at a discount to the merger consideration. Our results tend to not vary significantly unless there is a significant merger event that fails to be completed, in which case we would expect to generate a loss. The only significant merger in our portfolio that failed in the first six months of 2019 was the hostile bid for MEG Energy by Husky Energy Inc. A secondary strategy of the fund is the ownership of SPACs. These generated steady returns throughout the period. Our strategy mix throughout the period was roughly 40-45% merger arbitrage, 35% SPACs, and 20-25% cash.

### Basis of presentation and adoption of IFRS

The Fund's interim financial statements has been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements, including International Accounting Standards (IAS 34), Interim Financial Reporting.

### Related Party Transactions

During the period ended June 30, 2019, the Fund incurred management fees in the amount of \$124,006 and performance fees in the amount of \$59,628 to its manager, Vertex One Asset Management, Inc. Certain directors and/or related parties of the Fund held nil% of the Fund's Units as at June 30, 2019.

## FINANCIAL HIGHLIGHTS

### The Fund's Net Assets per Unit

This is the first Management Report of Financial Performance (MRFP) and this section is not required for the Interim MRFP

### Ratios and Supplemental Data

This is the first Management Report of Financial Performance (MRFP) and this section is not required for the Interim MRFP

**Management Fees**

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One Asset Management Inc a management fee, monthly in arrears, and calculated daily, on each business day, as a percentage of the net asset value of each class of Units that comprise a Fund.

The management fee may vary from Class to Class and will be deducted as an expense of the Fund in the calculation of the net profits of such Fund. The management fee for each of the existing classes of Units is as follows:

**Class B:** 1/365 of 1.5% (1.5% per annum) of the net asset value of the Class B Units on the preceding business day plus applicable taxes.

**Class F:** 1/365 of 0.75% (0.75% per annum) of the net asset value of the Class F Units on the preceding business day plus applicable taxes.

The Fund received services in consideration of the management fees as follows:

Services Provided	Class B	Class F
Distribution related costs	50%	0%
Portfolio Advisor and Management Services	50%	100%

**Performance Fees**

The Vertex Liquid Alternative Fund Plus will pay to the Manager a performance fee in relation to each Class B Units and Class F Units that is equal to 15% of the amount by which the total return of the class of Units exceeds the previous high water mark for each applicable class of Units. Any day a performance fee is paid for the Vertex Liquid Alternative Fund Plus, a high water mark is set, which is equal to the NAV of such Fund on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day the Fund does not exceed the high water mark and performance fees will not be accrued until the class of Units of the Fund has exceeded the high water mark.

**PAST PERFORMANCE**

**Year-by-Year Returns and Annual Compound Returns**

This is the first Management Report of Financial Performance (MRFP) and this section is not required for the Interim MRFP

**Summary of Investment Portfolio**

The major portfolio categories and top holdings (up to 25) of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at September 30, 2019.

Top Holdings	
Issuers	% of Net Asset Value
Vertex Liquid Alternative Fund, Class 'O'	145.05%
Vertex Liquid Alternative Fund, Class 'O', Forward Purchase	0.26%

Total 145.31%

Net Asset Value = \$52,667,279

The following chart sets out the sector allocations of the Fund's portfolio as at June 30, 2019.

