

MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2017

VERTEX GROWTH FUND

Active | Unconstrained | Opportunistic | Absolute



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual 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

or

SEDAR at www.sedar.com

Security holders 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.

MANAGEMENT DISCUSSION AND FUND PERFORMANCE

Investment Objective and Strategies

The Fundamental investment objective of the Vertex Growth Fund (the “Fund”) is to achieve long term capital growth by investing in growth-oriented equity and equity-related securities of North American companies. Analysis of business cycles, industry sectors and market outlook will lead the investment decision.

To achieve the Fund’s investment objective, the manager will use fundamental analysis to identify superior investment opportunities with the potential for above average capital appreciation over the long term.

The key investment strategy places an emphasis on finding companies where event catalysts can surface to create shareholder value. The Fund may make use of the following investment strategies: the use of derivatives, investing in undervalued securities, trading in securities of distressed issuers, special warrant arbitrage, merger arbitrage, convertible arbitrage, participating in restructuring situations, leverage, short selling and other investments such as preferred shares, convertibles, corporate and sovereign debt securities.

The Fund was created on September 14, 2009 and commenced operations on September 21, 2009.

Risks

The risks remain as disclosed in the simplified prospectus. Due to the volatile nature of many of the securities held in the portfolio the Fund is susceptible to general market declines. A change to investment themes in the Fund exposes the portfolio to potential new risks. Any changes to legislation that affects world resource markets would have an effect on the portfolio. The Fund is at risk to a political situation causing markets to drop. Changing market demographics affecting the profitability of an investment could have a negative influence on the portfolio.

Exposure to foreign currency is not fully hedged. As such, fluctuations in currency will have a positive or negative impact on the Fund’s returns.

Results of Operation

The Fund ended the year of 2017 with returns of -0.24% for Class B shares and 0.87% for Class F shares.

The Vertex Growth Fund had strong performance in three of the last four months of the year, largely due to our leverage in rising rates and our exposure to rising oil prices. We continue to have 32% portfolio exposure in oil and gas – mainly through American plays that aren’t subject to NAFTA or pipeline protesters... which is causing large differentials between Canadian and American pricing.

As our investors have seen, oil and gas investments haven't been all that pleasant over the past three years, yet our stubborn patience is beginning to pay off with oil futures in backwardation and oil prices at three year highs.

We have also added equity names that are trading at single digit price/earnings ratios: Mylan, Valeant, and Micron. If these names traded at multiples that were half that of the market, we would see each name double.

Social Capital Hedosophia, run by our favourite Canadian Chamath Palihapitiya, has become a core holding with a four percent weight as we expect great things from his first attempt at a SPAC. He's often early on his calls; so, we're very excited to see what he has in store for us.

Having come off extremely low levels, Canada has been one of the first countries to raise interest rates. In time, this may mean higher rates for M&A. Nothing will happen overnight, as the recent strength of the Canadian dollar will generate pressure to stop this higher rate train. While waiting for these higher interest rates, we've invested in a number of businesses which are poised to rise once the 50% discount between them and their competitors is recognised.

Our next potential double is PetroShale. They have a PDP (Proved Developed Producing) value of \$2.00, compared to our average cost of \$1.00. They are one of the rare companies in oil and gas that trades below its PDP value. As of yet, PetroShale has no major analyst coverage. When word gets out on this profitable company – that will double production in the next 18 months – we expect the share price to follow.

Building on our portfolio of doubles, we have invested in the new oligopolies of Canadian gas stations. Gas stations have traditionally had slim margins, which in the finance world means large doses of EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), but not so much in the earnings department. Parkland Industries and Brookfield Business Partners have recently consolidated the gas station space in Canada – which should see 25% earnings growth for at least two years, while these stocks currently trade at a 50% discount to their growth rates.

Guardian Capital is an asset manager that has been a core holding of ours for years. A more recent addition to the Vertex Growth Fund is the stock symbol BEN, which stands for one of the great Americans of all time, Mr. Benjamin Franklin – any books on Franklin make for a summer well remembered. This aptly named Franklin Resources Inc. is a power house of an investment management firm, who have positioned their portfolio for these higher interest rates. More importantly, half of their share price is in cash which means their P/E ratio is less than 8 once you back out the cash.

There have been no material changes to the management of the fund.

Basis of presentation and adoption of IFRS

The Fund's financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board ("IASB").

Related Party Transactions

During the year ended December 31, 2017, the Fund incurred management fees in the amount of \$1,474,291 payable to its manager, Vertex One Asset Management Inc. There was no performance fee paid by the Fund during the year.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years ending December 31,

The Fund's Net Assets per Unit ⁽³⁾

Class B	2017	2016	2015	2014	2013
Net Assets, beginning of year ⁽¹⁾	\$16.19	\$16.16	\$15.34	\$17.07	\$14.01
Increase (decrease) from operations:					
Total revenue	0.34	0.77	0.35	1.11	0.35
Total expenses	(0.50)	(0.50)	(0.50)	(0.84)	(0.50)
Realized gains (losses) for the year	0.24	(0.73)	0.42	0.82	1.98
Unrealized gains (losses) for the year	(0.29)	0.75	0.61	(1.89)	2.18
Total increase (decrease) from operations ⁽¹⁾	(0.21)	0.29	0.88	(0.80)	4.01
Distributions :					
From income (excluding dividends)	-	0.28	-	0.39	-
From dividends	-	0.13	-	0.04	-
From capital gains	-	-	-	0.93	0.80
Return of capital	-	-	-	-	-
Total annual distributions ⁽¹⁾⁽²⁾	-	0.41	-	1.36	0.80
Net Assets, end of year	\$16.15	\$16.19	\$16.16	\$15.34	\$17.07

Class F	2017	2016	2015	2014	2013
Net Assets, beginning of year ⁽¹⁾	\$17.11	\$17.04	\$16.00	\$17.70	\$14.42
Increase (decrease) from operations:					
Total revenue	0.36	0.82	0.37	1.15	0.36
Total expenses	(0.34)	(0.35)	(0.33)	(0.73)	(0.34)
Realized gains (losses) for the year	0.26	(0.77)	0.44	0.85	2.05
Unrealized gains (losses) for the year	(0.20)	0.6	0.45	(2.43)	2.26
Total increase (decrease) from operations ⁽¹⁾	0.08	0.30	0.93	(1.16)	4.33
Distributions :					
From income (excluding dividends)	-	0.41	-	0.46	-
From dividends	-	0.18	-	0.05	-
From capital gains	-	-	-	0.90	0.90
Return of capital	-	-	-	-	-
Total annual distributions ⁽¹⁾⁽²⁾	-	0.59	-	1.41	-

Net Assets, end of year	\$17.25	\$17.11	\$17.04	\$16.00	\$17.70
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- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) This information is derived from the Fund's audited annual financial statements. The net assets presented in the financial statements may differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences is disclosed in Note 2 of the notes to the financial statements.
- (4) For financial years beginning on or after January 1, 2013, the financial highlights are derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards. The December 31, 2013 information has been restated for comparison purposes only. For financial years prior to 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with previous Canadian generally accepted accounting principles.

Ratios and Supplemental Data ⁽⁵⁾

Class B	2017	2016	2015	2014	2013
Total net asset value (\$ 000's) ⁽¹⁾	33,884	52,634	65,402	66,506	54,833
Number of units outstanding ⁽¹⁾	2,097,813	3,250,658	4,046,515	4,334,329	3,211,692
Management expense ratio (%) ⁽²⁾	2.58	2.55	2.47	3.15	2.62
Management expense ratio before waivers or absorptions (%)	2.58	2.55	2.47	3.15	2.62
Portfolio turnover rate (%) ⁽³⁾	128.19	182.81	212.88	242.48	153.93
Trading expense ratio (%) ⁽⁴⁾	0.47	0.53	0.55	0.63	0.45
Net asset value per unit (\$)	16.15	16.19	16.16	15.34	17.07

Class F	2017	2016	2015	2014	2013
Total net asset value (\$ 000's) ⁽¹⁾	45,994	53,534	62,762	48,447	29,306
Number of units outstanding ⁽¹⁾	2,665,892	3,129,698	3,682,373	3,027,931	1,656,060
Management expense ratio (%) ⁽²⁾	1.47	1.46	1.35	2.44	1.51
Management expense ratio before waivers or absorptions (%)	1.47	1.46	1.35	2.44	1.51
Portfolio turnover rate (%) ⁽³⁾	128.19	182.81	212.88	242.48	153.93
Trading expense ratio (%) ⁽⁴⁾	0.47	0.53	0.55	0.63	0.45
Net asset value per unit (\$)	17.25	17.11	17.04	16.00	17.70

- (1) The information is provided as at December 31 of the year shown.
- (2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

- (5) This information is derived from the Fund's audited annual financial statements. The net assets presented in the financial statements may differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences is disclosed in Note 2 of the notes to the financial statements.
- (6) For financial years beginning on or after January 1, 2013, and the immediately preceding financial year, the financial highlights are derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards. The December 31, 2013 information has been restated for comparison purposes only. For financial years prior to 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with previous Canadian generally accepted accounting principles.

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 the Fund.

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

Class B: 1/365 of 2% (2% 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 1% (1% 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	62.50%	0.00%
Portfolio Advisor and Management Services	37.50%	100.00%

Performance Fees

The Fund will pay to Vertex One Asset Management Inc., a performance fee in relation to each class of Units that is equal to 20% of the amount by which the total return of the class of Units exceeds the total percentage increase or decrease of the following benchmarks having the following components, for the year since the performance fee was last paid.

- 50% weighting – S&P 500 Total Return Index (or its successor indices, as applicable)
- 50% weighting – S&P/TSX Composite Total Return Index (or its successor indices, as applicable)

If at any time the performance of a Fund is less than its benchmark, then no performance fee will be payable until the performance of the Fund relative to its benchmark has exceeded the amount of the deficiency.

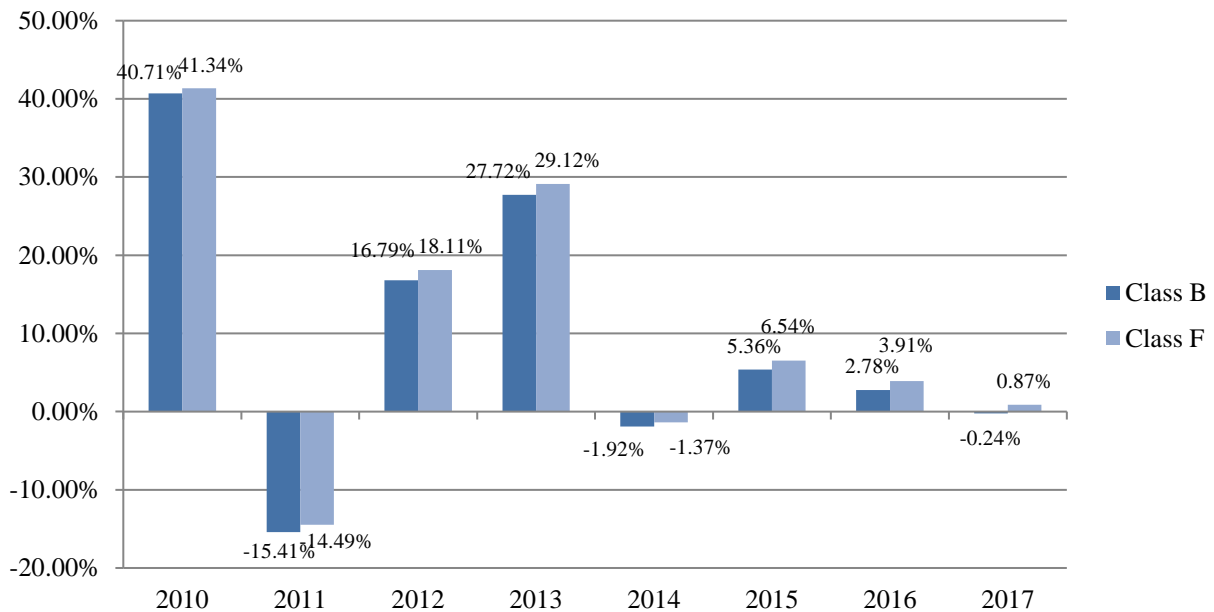
PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the years shown were reinvested in additional securities of the Fund. Note that the performance information

does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following chart shows the performance of the Fund for the seven-year period December 2010 to 2017. The charts show you the Fund’s annual historical return and how it changes each year. Annual return is the percentage change in the value of an investment from January 1 to December 31, unless otherwise noted. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year. The returns are cumulative and include all distributions.



Annual Compound Return

The following table illustrates the annual compound total return for Class B and F units of the Fund for the years shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of its blended benchmark. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

	1-Year	3-Year	Since Inception
Growth Fund Class B	-0.24%	2.61%	8.06%
Growth Fund Class F	0.87%	3.74%	9.09%
Benchmark*	13.70%	10.88%	12.37%

*50% S&P 500 TRI + 50% S&P/TSX TRI

The Fund was created on September 14, 2009 and commenced operations on September 21, 2009. Return since the commencement of operations is not an annualized number.

During the year ended December 31, 2017, your investment in the Fund experienced a return below that of the Index for the 1-Year, 3-Year period and since inception noted in the above table. Performance will vary by class largely due to the extent that fees and expenses may differ between classes. Index returns are displayed for references purposes only and are not meant to be a proxy for the returns of the Fund. The Fund does not aim to replicate the composition of either Index and as such its performance may differ.

Summary of Investment Portfolio

The major portfolio categories and top holdings (up to 25) of the Fund at the end of the year 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 March 31, 2018.

Top 25 Holdings	
Issuers	% of Net Asset Value
Guardian Capital Group Ltd., Class 'A'	11.08%
Petroshale Inc.	10.22%
JPMorgan Chase & Co., Warrants, 2018/10/28	6.90%
Valeant Pharmaceuticals International Inc.	6.15%
Brookfield Business Partners L.P.	5.48%
Air Canada	5.09%
Micron Technology Inc.	4.25%
Franklin Resources Inc.	4.05%
Diversified Royalty Corp.	3.86%
Franco-Nevada Corp.	3.51%
Restaurant Brands International Inc.	3.17%
American International Group Inc., Warrants, 2021/01/19	3.14%
Mainstreet Equity Corp.	2.31%
Lilis Energy Inc.	2.23%
True North Commercial REIT	2.20%
Social Capital Hedosophia Holdings Corp.	2.09%
Kelt Exploration Ltd.	1.94%
Carrizo Oil & Gas Inc.	1.92%
Hilton Grand Vacations Inc.	1.78%
TransAlta Corp.	1.47%
Parkland Fuel Corp.	1.46%
Intermap Technologies Corp., 15.00%, 2020/09/01	1.40%
Ascendant Resources Inc.	1.40%
Citigroup Inc., Warrants, 2019/01/04	1.33%
Trican Well Service Ltd.	1.30%

Net Asset Value = \$79,877,532

The following chart sets out the sector allocations of the Fund's portfolio as at December 31, 2017.

