

## VERTEX GROWTH FUND

Third Quarter Report, 2011

### **Animal Farm:** *A Contemporary Satire of Hawks and Doves, Bulls and Bears*

Perhaps if George Orwell had lived in modern times the characters of his allegorical Animal Farm would have been based on the Federal Reserve, Congress and Wall Street. That's not to say our current situation is Stalin-like, but the battles between the farm of characters we currently live with would make an interesting satire. The hawks (believers in higher interest rates to protect against inflationary effects) and doves (lower interest rates to spur growth with a passive concern for inflation) within political circles and the Fed are clashing over policies plans and ideologies. The bulls and bears are left to fight over what they think the powers that be are thinking, planning, and doing, if anything. Further down the line, business owners who are fond of developing strategies for planning their companies' future are confused and frustrated with the lack of clarity in tax, economic and interest rate policy, which makes forecasting very difficult. This has led to a freeze in hiring and corporate investment. Further, further down the line, lie the money managers and analysts who rely on guidance from all of the above characters to formulate their investment opinions and strategies. When you throw on top of the schoolyard brawl in America the prison brawl in Europe, you've got a cloudy, crystal ball.

Therefore, in times like these we turn to strategies that remove some of the variables and focus on known catalysts for price appreciation. We have been focusing on putting new investments into buying the targets of announced, high conviction M&A deals. This strategy offers the potential for strong returns with little correlation to market fluctuations. We aim for deals with cash offers which have fewer barriers to completion. Some recent additions to the fund include: Grayd Resource Corp, Daylight Energy, Silver Quest Resources, and Goodrich. We also still have large positions in TMX Group, Motorola Mobility Holdings (our replacement for Petrohawk Energy which closed in August for an annualized return of 15%), and Capital Power Income. Our current aim is to increase this strategy weight to 50% by the end of the year (it is currently 35%).

The other major theme in the portfolio is silver and gold. Despite recent volatility, we see this as necessary insurance against European insolvency and the requirement for money printing as the resolution. We own preferred shares in Anglogold Ashanti which offers a more conservative exposure to the price of gold thanks to a healthy yield. We also own a concentrated selection of gold and silver producers, both large and small cap.

The rest of the portfolio consists of yielding securities, and growth stories like Apple, which despite the market, continues to forge historic highs. This may sound like a reason to sell Apple given the anomaly, but it is one of the few technology companies still experiencing tremendous growth and trading at very reasonable metrics.

### PERFORMANCE (Class B)

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	Total Cumulative
\$11.8058	-6.36%	-11.11%	-16.78%	-1.55%	18.21%

This statistical information is intended to provide you with information about the Vertex Growth Fund. Important information about the Fund is contained in the Simplified Prospectus which should be read carefully before investing. You can obtain a prospectus from Vertex One Asset Management Inc. The Simplified Prospectus 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 funds are not guaranteed; their values change frequently and past performance may not be repeated.