

## **VERTEX GROWTH FUND**

First Quarter Report, 2012

The Growth Fund started the year off on a good note with a 3-month return of 11.68% (Class B). We were able to avoid many of the pitfalls of the resource sector in March. Our beta to gold, silver and oil was reduced throughout the quarter as the ECB's LTRO wound down. The one-month return for March was 2.93% (Class B).

Throughout the quarter, we added to the portfolio's positions in RBS Tier 1 Preferred shares and increased its exposure to a rebound in US housing through mortgage insurers and providers. Aggregate exposure to the US housing recovery now sits around 18% of the portfolio, with investments in Assured Guaranty, MGIC Investment Corp, PHH Corp and Radian Group. A little patience is the real investment required with US housing starts already bottoming, pent-up demand to purchase new homes reaching a tipping point, affordability at record levels, and the job market quietly improving as well as the economy in general. It's only a matter of time now before housing picks up speed. As the industry recovers, mortgage insurers hold significant potential due to how undervalued they became following the sub-prime meltdown.

We acquired positions in two series of RBS Capital Tier 1 preferred shares throughout the quarter, now representing just under a 10% weight in the portfolio. Currently under a two-year dividend suspension mandated by the ECB, the market has over-penalized these securities. They trade at discounts of over 20% to comparable RBS preferred shares which have not had dividend suspensions. In other series, where the suspensions will be lifted this May, we have seen strong returns leading up to the dividend resumption.

New deal activity was slow in Q1, but there are encouraging signs for M&A. Corporate cash balances have ballooned 55% since 2007. Companies are trading at reasonable valuations and debt is cheap. The easy profits related to cost cutting are over and with top-line growth becoming harder to attain, CEOs may look to M&A as an attractive option for achieving accretive growth. We're anticipating the announcement of new deals to pick up throughout 2012. We did however see a flurry of deals close during the quarter. Pharmasset was acquired in January and represented an impressive 20% annualized return. Other completed acquisitions included: Grand Cache Coal, Prime Restaurants, Silver Quest Resources, Inhibitex and Minefinders. M&A ended the quarter with an 18% portfolio weight.

Apple represents a 9% weight in the portfolio and contributed to a good portion of the performance in the first quarter, as it was up a staggering 48%. Over the last few months, we have also built up a 9% weight in Mandalay Resources Corporation which is a lightly-followed company that has silver and gold assets in production. We like their business model of using existing free cash flow to fund further acquisitions of ex-producing mines and expansion through exploration. We continue to hold significant positions in Greenlight Capital and AngloGold Ashanti convertible preferred shares.

**PERFORMANCE** (Class B shares as at March 31, 2012)

<b>Net Asset Value</b>	<b>1 Month</b>	<b>3 Month</b>	<b>6 Month</b>	<b>1 Year</b>	<b>2 Year<sup>+</sup></b>	<b>Total Cumulative</b>
\$13.4007	2.93%	11.68%	13.51%	-6.80%	8.28%	34.18%

<sup>+</sup>annualized return

Vertex One Asset Management, Inc.

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.