

VERTEX GROWTH FUND

Second Quarter Report, 2012

The news cycle which led to a significant retracement in global markets in the second quarter of 2012 was nothing to be surprised by. The usual suspects were all present: Greece, Spain, Italy, the US and China (maybe a relative newbie). The exsanguination of the Eurozone has proven to be a drawn-out process with no party willing to be the sacrificial lamb. Altruism is not a trait that a hodgepodge of foreign cultures and nationalities share. As such, the patchwork to stave off the bleeding will continue as long as possible. The bright(er) side is that for the most part the United States economy is slowly but steadily plodding along, seemingly unfettered by the troubles in Europe. With all the headlines, would you believe the one-year number at June 30th for the S&P 500 was up 3% while the Euro Stoxx 50 was down 20%? The TSX lay in the middle, down 10%.

As we have written, in order to mitigate some of the general market volatility the fund has been investing in plenty of M&A targeted companies and yield. A few large deals closed during the quarter which accrued returns to the fund as the markets traded down; these included Motorola Mobility, Goodrich and El Paso. The TMX Group (an 8% weight) takeover by the Maple Group is inching towards completion and has been a strong performer year-to-date, as approval hurdles were gradually cleared. Some of the yielding names in the portfolio are: Retrocom Mid-Market REIT, Hartford Financial Services Group Preferred, American Realty Capital Corp and Seaspan Corp 9% Preferred.

Mainstreet Equity Corporation was added to the portfolio over the quarter. The stock has had a terrific year thus far, up approximately 30%. Their business is to acquire and rent out apartments across Canada in cities like Calgary, Surrey, Abbotsford, Edmonton, Saskatoon, and the GTA. Since 1998, they have built a portfolio of almost 8,000 units across Canada. Their niche is creating value by purchasing under-performing properties, renovating them to a branded standard, improving operating efficiencies and then repositioning them in the market for greater returns. Steady income, high housing prices, a poor employment market, and sluggish economic growth make the rental market a good investment. Your fund also holds a position in the triple net US REIT American Realty Capital Trust (ARCT), which began publicly trading in March. ARCT has a dividend yield of 6.5%, which is about 30% higher than its peers. In addition to collecting income, we anticipate capital gains as the yield differential tightens.

Sprint Nextel is another new addition. The wireless carrier is in the process of a turnaround involving a major overhaul to their network, wherein Nextel will be shutdown. Part of the overhaul includes the rolling out its 4G LTE network and a multi-year commitment to purchase iPhones. Although behind rivals Verizon and AT&T in terms of first-to-market with LTE, Sprint hopes their patience will be rewarded with a more stable technology platform. We saw the stock as oversold and due for a lift.

We increased our position in Liberty Interactive Corp (LINTA). Liberty is restructuring by spinning-off a tracking stock called Liberty Ventures (LVNTA) at a 20:1 ratio. In addition to new shares in LVNTA, holders will receive subscription rights on LVNTA. The spin-off is designed to unlock value which has been overshadowed under the current LINTA structure due to the complexity and size of the multiple assets. QVC Inc., the main asset of LINTA, is the

leading home shopping network and one of the largest multi-media retailers in the world. LINTA will now effectively be a pure-play on QVC following the spin-off. A vote for approval will be held August 8th at the annual shareholder meeting.

Other notable changes made to the portfolio were the selling of AngloGold Ashanti Preferred Shares, which was a long-held position, and the selling of the mortgage insurers MGIC, Assured Guaranty and Radiant Group.

Enjoy a safe and sunny summer!

PERFORMANCE (Class B shares as at June 30, 2012)

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	2 Year⁺	Total Cumulative
\$12.2842	-0.87%	-8.33%	2.38%	-7.51%	7.66%	23.00%

⁺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.