

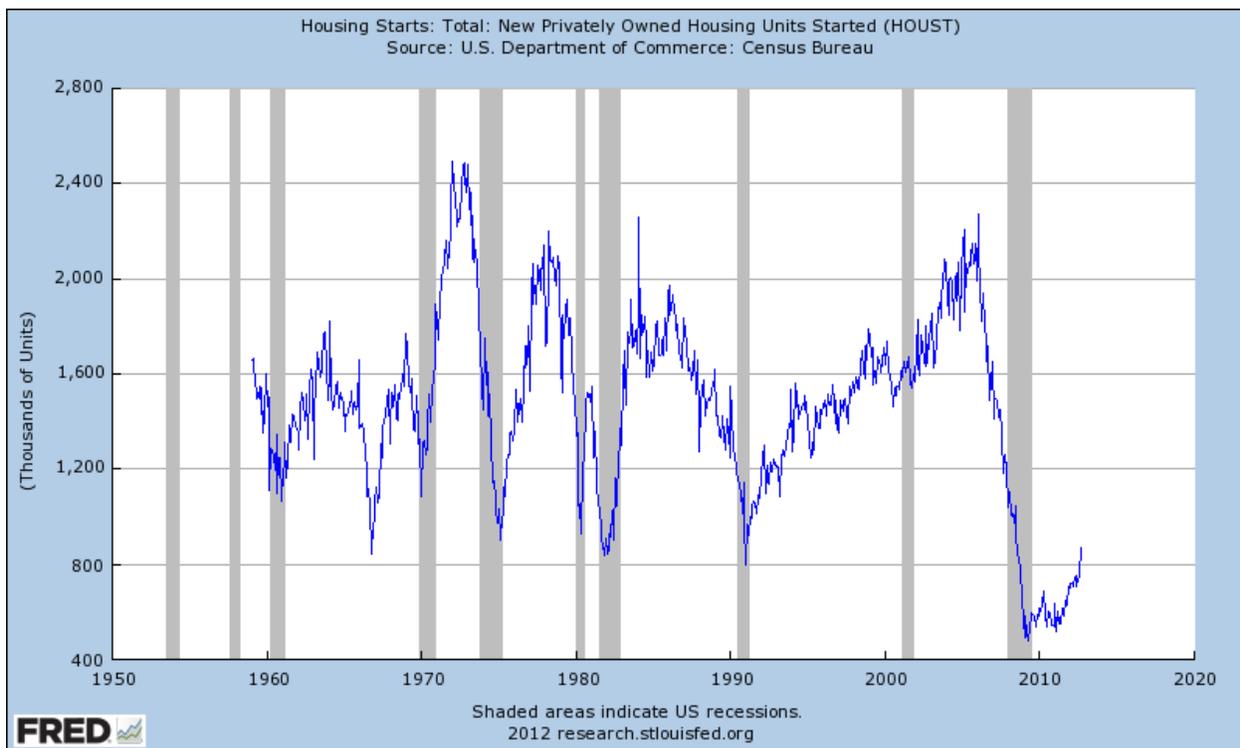
VERTEX GROWTH FUND

Third Quarter Report, 2012

“If the facts don’t fit the theory, change the facts.” – Albert Einstein

Endless prosperity and growth is the cornerstone of the American ideal. Consequently, after four years of negative or little growth the Chairman of the Federal Reserve, left with little option, announced aggressive quantitative easing in the form of an open-ended or perpetual plan for new bond purchases. In other words, if the stock market and employment figures don’t improve the Fed will step-in until they do. And who are we to argue with the Fed?

As stock markets marched higher throughout the quarter, we positioned the portfolio to be less defensive and acquired new long positions. U.S. housing is rebounding, with housing starts now showing upward momentum and not just stabilization. As you can see from the following chart of US housing starts, the housing market tends to rebound sharply following recessionary periods.



Despite the over-build during the US housing bubble, there is a favourable supply/demand situation in US housing should employment improve. Years of record low construction and population increase will drive demand for new purchases and mortgages. We have positions in the mortgage providers PHH Corp. and Chimera Investment Corp.

The other story of the third quarter was the rebound in gold prices and subsequently gold companies. The fund realized performance attribution from its positions in Mandalay Resources

and Franco Nevada warrants, which both had big quarters. Mandalay Resources was almost a double and Franco-Nevada's warrants were up 60% in the third quarter alone.

In the previous commentary, we spoke about the restructuring of Liberty Interactive Corp. The spin-off of Liberty Ventures went through successfully in August and both stocks have performed very well since. We retain positions in both.

We added a position in Amarin Corp. which is a biopharmaceutical company whose flagship drug Vascepa recently received FDA approval. Vascepa is a new prescription formulation of fish oils for the treatment of very high levels of triglycerides. Vascepa has a distinct advantage over its main competitor Lovaza by GlaxoSmithKline (which generates \$1 billion/year in revenue) in that it does not raise bad cholesterol in patients.

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

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	2 Year⁺	Total Cumulative
\$13.6578	4.05%	11.18%	13.82%	15.69%	6.72%	36.75%

⁺annualized return

Vertex One Asset Management, Inc.