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VERTEX GROWTH FUND

Fourth Quarter Report, 2012

The Growth Fund finished the fourth quarter up 2.60% (B Class), bringing its return for calendar year 2012 to 16.79% (B Class). With concerns of a "fiscal cliff" taking up the majority of the media's attention following the election, a cloud was cast over the market throughout the quarter. The uncertainty provoked short-term market volatility but in the end the cliff was avoided. Despite a reprise of European debt concerns in the spring, 2012 had less volatility than we've seen in recent years. The VIX (volatility index) traded at its lowest average price since 2007. We anticipate 2013 to be another good year for the stock market as signs of economic stability south of the border are replaced by tangible signs of economic growth.

There were some new additions to the portfolio in the fourth quarter. Citigroup, Deckers Outdoor Corporation and an Ally Financial convertible preferred were the most significant new positions in terms of portfolio weight. Deckers Outdoor owns a variety of footwear brands with the most notable being UGG. UGG boots and apparel have large appeal with young buyers and their retail store expansion has seen a strong response. The stock had a terrible year losing about 75% from its 2011 high. Its valuation is now very reasonable at 9x earnings and there is a large outstanding short position on the stock providing the possibility for a short squeeze. We also like the exposure it offers to the American consumer which is sleeping giant that slowly awakening.

We took a position in Gluskin Sheff & Associates which has performed nicely so far. We see upside to their dividend with strengthening markets bringing large increases in performance fee earnings. There is also the lingering potential for a large bank takeover of Gluskin Sheff, similar to PH&N's takeover by RBC a few years back. On the topic of investment firms, we added to our position in Greenlight Capital. Greenlight Capital is a specialty property & casualty reinsurer managed by David Einhorn. Currently trading below book value, we think GLRE could be the next Berkshire Hathaway or Fairfax Financial, which were ten baggers for early investors. UBS recently upgraded GLRE to a buy from neutral.

In the resource sector we've maintained a large weight in Mandalay Resources which had a great year returning 77% in 2012. Paramount Resources is a new position where we think there is a massive amount of hidden value. The company could spinout their oil sands division alone and it would be worth more than where the common shares are valued at today.

Avigilon, which IPO'd in late 2011, is a local company that specializes in high-definition, closed-circuit surveillance systems. The stock has done remarkably well since its IPO, up almost 300%. Already, since our purchase in October it is up 40%. The company is positioned in a market with massive growth potential. Their internal forecast for revenue growth is almost 10-fold over the next five-years. Avigilon is leading the revolution into high-definition surveillance, supplying not only the equipment but the recognition and analysis software to go with it. Following the riots at G-20 meetings, hockey playoffs, Europe and occupy Wall Street movements police forces are turning to high-definition footage to aid in arrests. Avigilon's cameras were used to apprehend a masked man for vandalism by identifying tattoo markings on his arm during riots in London last year.

Finally, we took a position just under $10 in Research in Motion in November. With a massive short position on the stock we foresaw the potential for a short squeeze considering its dirt cheap valuation and early hype on the new Blackberry 10, which is set for release in January.

In M&A, we have a large weight in Celtic Exploration which has an offer for purchase by Exxon Mobil. We are especially interested in Celtic because of the associated spin-co that comes as part of the deal. These spin-co deals have historically done well. We also hold a position in Sprint Nextel which is merging with Softbank. December saw the approval of the Nexen deal, however we sold our position prior to this announcement as the uncertainty level of a positive result had grown too high for our liking. Although disappointing, prudent risk management meant that we part with the position.

PERFORMANCE (Class B shares as at December 31, 2012)

Net Asset Value	**1 Month**	**3 Month**	**1 Year**	**2 Year**+	**3 Year**+	**Since Inception**+
$14.0134*	1.83%	2.60%	16.79%	-0.61%	11.60%	10.70%

+annualized return
*post-distribution

Distribution: $0.00

Vertex One Asset Management, Inc.