

## VERTEX GROWTH FUND

First Quarter Report, 2013

### **“Buy, Hold and Prosper”**

AIC mutual fund slogan from the 1990s



One key to success in life is to keep an open mind and the same holds true for money management. If the money managers at AIC had seen opportunities in other equities, AIC would still be around today. Sadly, their minds were closed to new opportunities much like certain other Canadian “commodity” managers in today’s market. These managers, along with their investors, are in for a world of hurt as heavy redemptions will further pressure their small cap investments, leading to more & more redemptions. Lather, rinse, repeat. As we say in our business, it’s *death by a thousand cuts*. Ironically, in today’s market we think an AIC portfolio is a thing of envy. Consequently, we have built a large position in names which we think AIC would be proud of: Legg Mason, Blackstone, Gluskin Sheff, Guardian Capital and Putnam Group via Great West Life. We believe that two of these stocks will pay us a

double digit dividend yield this year, while another one trades at its underlying cash level. With strong portfolio returns leading to increased fees at these firms and the depressed valuations of their stocks, they are a great investment vehicle for gaining leverage to the stock market. And this market has been rewarding all those who buy, hold and therefore prosper.

Our biggest returns so far this year have come from Deckers Outdoor Corp, the makers of UGG boots. Their earnings surprise at the end of February helped propel the stock. Greenlight Capital and Citigroup also contributed nicely to the first quarter’s return. A notable change to the portfolio during the quarter was that we closed the remainder of our position in Apple, after having held it since early days of the fund. Apple had generated a nice return over that time period but its expanded market value and declining growth prospects led us to move on.

Our position in the Celtic Exploration buyout closed successfully during the quarter. Celtic was a boost to the fund as we earned an 8% annualized arbitrage spread and also benefitted from building a position in the related spin-out company, Kelt Exploration, at an artificially low price. Nexen also closed during the quarter. We continue to hold Sprint and Virgin Media.

We have reduced our currency hedging of the US dollar from 100% to 90% as we are seeing the likely conditions for a declining loonie against a strengthening US dollar.

**PERFORMANCE** (Class B shares as at March 31, 2013)

<b>Net Asset Value</b>	<b>1 Month</b>	<b>3 Month</b>	<b>1 Year</b>	<b>2 Year<sup>+</sup></b>	<b>3 Year<sup>+</sup></b>	<b>Since Inception<sup>+</sup></b>
\$14.8951	4.04%	6.29%	11.15%	1.78%	9.23%	11.80%

<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.