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VERTEX GROWTH FUND

Fourth Quarter Report, 2013

A room full of pessimists waiting for the other shoe to drop, discrediting new data, overlooking optimism and blaming strong markets on federal stimulus is a recipe for “surprise” bull markets. That was the scene entering 2013, which set the scene for the best US market since the 1990s. Although many are now acknowledging noticeable economic improvement in the US, Europe and Asian countries like Japan, the “yeah…but” remains following any forward-looking discussion. That “but” being the various maligned monetary policies enacted globally to prevent another depression following 2008. Yet, policy did its job and with the US being the “first in, first out” the US Federal Reserve began a program to taper asset purchases. However, despite a US market which returned 32.39% (including dividends) in 2013, pessimists cling to the notion that fed tapering will reveal a weak economy sustained purely by government intervention. Stock markets have a had a good run over the last two years but the real stimulant for higher prices will be the economic reaction following the tapering program’s conclusion. An economy showing 3-4% GDP without stimulus is what will drive the real bull market. Most of the past five years of a “bull market” has been recovery, not progress. The S&P 500 just returned to its peak from 2008 *and* 2000 this past spring. Also notable is that 13-year period without growth includes inflation. The last period of flat growth was the 1970s which setup a 20-year bull market. Despite previous highs relating to the 2000 tech bubble and the 2008 financial bubble there are plenty of reasons for real expansion from here. There are always disruptive discoveries around the corner …

2013 was a great year for the Vertex Growth Fund B Class finishing the year up 27.56% and the fourth quarter up 10.46%. Our strong commitment to Financials provided the fund with about 60% of its p&l throughout the year. Investments in Blackstone and Greenlight Capital contributed commensurate to their large portfolio weights. In fact, all of the financial positions finished higher this year with other notable performers being Citigroup, Legg Mason and our European exposure through Commerzbank, RBS and ING.

Materials were the only detractor (excluding currency) with the gold sector down 48% in 2013, but the impact was relatively minor due to the small weight. The collapse in metals was emphatically pronounced in 2013, culminating a move that began in 2011, after tapering and a lack of inflationary pressure left the champagne a little flat. By December, destruction in gold companies exacerbated to the point where they began to look attractive again. We started building a position in Teranga Gold Corp and we have also added to our Franco-Nevada warrants. Although we paired our position in Mandalay Resources during the year we still hold a position.

Current merger and acquisition positions are Brookfield Office, Life Technologies and Elan. Brookfield represents a large weight in the portfolio (just shy of 10%) as we increased our position when the spread widened on the $20.34 cash offer from Brookfield Property Partners. M&A is 15% of the portfolio.

Approximately 6% of the portfolio is in high yield securities from companies like JC Penney, Lightstreem, Seaspan and Petroamerica Oil.

We have also reduced the portfolio's currency hedges as we expect the Canadian dollar to decrease in value against the US dollar. Seeing plenty of opportunity for picking stocks we anticipate it to be another good year.

PERFORMANCE (Class B shares as at December 31, 2013)

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	2 Year+	3 Year+	Since Inception+
$17.0729+	2.86%	10.46%	27.56%	27.56%	22.06%	8.01%	14.38%

+annualized return
+Post-Distribution

Distribution (B Class) = 0.803216
Distribution (F Class) = 0.900825