

## VERTEX GROWTH FUND

First Quarter Report, 2014

*“Everything must be made as simple as possible. But not simpler.” – Albert Einstein*

The stock market is complicated. Investing in it, even more complicated. However, attempting to match its complexity with brainpower is a mistake. Reducing the array of variables and unknowns into simplified forms usually produces more consistent results. That is why a portfolio manager’s approach can remain constant as the market and economy around him, or her, rapidly changes. The same can be said for investors in general – keep your approach simple but don’t discard the complex in the process.

In the Vertex Growth Fund, we at times utilize sophisticated investments to achieve simple results. Stepping beyond the obvious investments in common shares, we utilize preferred shares, convertible preferred shares, high-yield bonds, convertible bonds, warrants and options to serve a simple purpose - adjusting probable returns for the risk associated with ownership. Being optimistic on the markets last year, most of the portfolio was long common stock. However, towards the end of the first quarter of 2014 we began to grow wary of retaining that same exposure. Consequently, the simple response was to de-risk the portfolio. As with past market corrections, we added yield and cash merger deals to the portfolio. By the end of the quarter, over 50% of the portfolio held yielding instruments and merger deals. To collect additional income throughout the quarter, we also wrote call options over our position in Zynga. Utilizing instruments like convertible preferred shares, convertible bonds, derivatives and evaluating merger terms are not simpler ways to invest, but the result is simple – steadier and more predictable returns.

With that said, the portfolio was and still is structured to take advantage of stock picks displaying growth potential and/or catalysts for a return. There were a few outstanding positions in the quarter which led to the Vertex Growth Fund’s 15.01% return. Pacific Ethanol, which we wrote about in the fall as having massive earnings potential from decreasing corn prices while ethanol demand remained strong, had a huge rebound on the back of strong earnings. The stock was up 351% in the first quarter alone and we still think it is a good investment with further earnings surprises on its horizon. Other standouts for the quarter included: American Airlines, our European banks - Commerzbank & Intesa, Take Two Interactive and our exposure to USD.

### PERFORMANCE (Class B shares as at March 31, 2014)

Net Asset Value	1 Month	3 Month	Year-to-Date	1 Year	2 Year <sup>+</sup>	3 Year <sup>+</sup>	Since Inception <sup>+</sup>
\$17.0729 <sup>+</sup>	1.18%	15.01%	15.01%	38.03%	23.86%	12.66%	17.06%

<sup>+</sup>annualized return

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.