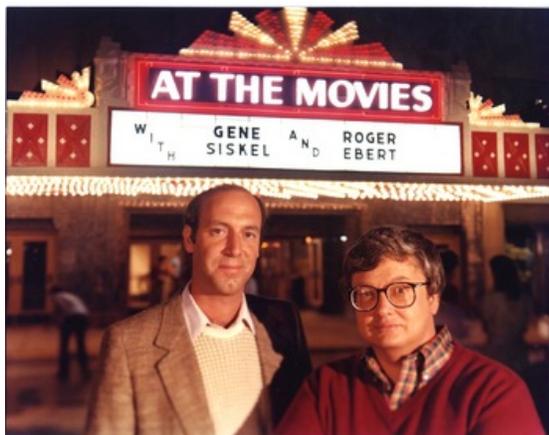


VERTEX GROWTH FUND

Second Quarter Report, 2014



"No good movie is too long and no bad movie is short enough." – Roger Ebert

One could say the same about investments. There's something about summertime and the movies - free movies in the park, at the drive-in or a rainy day at home - everyone escapes to the movies during the summer. It's also probably more productive than watching the stock market yoyo. The summer doldrums are usually characterized by thin volume and a lack of activity. The lull came early this year, as seemingly a lot

was going on in the second quarter but nothing really happened – similar to a *Transformers* movie.

After a big first quarter, the Fund took a short breather in Q2. Despite P&L being mildly positive, \$USD weakened and pushed the quarter into the red. Longer-term we should get that back. Unfortunately, the wheels were spinning but we didn't get far, which brought the year-to-date Class B return to 12.69%.

Yield of Dreams – We took some profits from the corn fields of Pacific Ethanol in Q1 and headed to the oil field in search of double-digit yields. Equities are not overly expensive but they're also not overly cheap. Hence, if you're being offered over a 10% yield to hold a stock with growth potential, you should take it. With that in mind, we moved money into the oil and gas refiners CVR Refinery (15% dividend yield) and Northern Tier Energy (11% dividend yield). The kicker being that on top of their price gains they could pay more in dividends if oil prices decrease from current levels. On a similar theme, we also own the BP Prudhoe Bay Royalty Trust for its 12% dividend and various oil and gas bonds. The Oil & Gas portfolio weight is now just below 25%. High-yielding securities (equities, bonds, REITs and preferred equity) now represent about 50% of the portfolio. We see yield as an excellent risk-adjusted trade for the current environment. Yield it and we will come.

The World According to Arb - The merger of Osisko Mining with Yamana Gold and Agnico Eagle Gold closed during the quarter providing a nice profit to the Fund. Taking its place is a Nuveen Investments bond that is being acquired by the investment grade manager TIAA-CREF. With a strong buyer it offers a good risk/reward relative to the current environment. Other deals in the portfolio are Hillshire Brands and Protective Life. M&A is currently about 10% of the portfolio.

Gone with the Wind – After rising 300% in the first quarter we took some profits in Pacific Ethanol, cutting the position in half. Following a selloff, it has since risen back to previous highs on plummeting corn prices (which leads to lower input costs and greater earnings power). We fully sold our position in Zynga. After nine months it appears the turnaround will take longer than expected. Still, the position was a decent return, augmented by premiums from writing call-options. A portfolio theme from the first quarter was European banks with the likes of RBS, Commerzbank and Intesa SanPaolo. We significantly reduced or jettisoned exposure to these companies in the second quarter, locking in gains. Adequate capitalization became a concern for holding these banks longer-term.

Enjoy your summer! *We'll see you at the movies...*

PERFORMANCE (Class B shares as at June 30, 2014)

| Net Asset Value | 1 Month | 3 Month | Year-to-Date | 1 Year | 2 Year⁺ | 3 Year⁺ | Since Inception⁺ |
|------------------------|----------------|----------------|---------------------|---------------|---------------------------|---------------------------|------------------------------------|
| \$19.2398 ⁺ | 0.11% | -2.02% | 12.69% | 32.39% | 28.06% | 14.89% | 15.62% |

⁺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.