

VERTEX GROWTH FUND

Third Quarter Report, 2014

“I ... drink ... your ... milkshake! I drink it up!”

- Daniel Plainview – *There Will Be Blood*

Oil has always been an opportunistic industry: a breeding ground for tycoons to exploit situations. Daniel Plainview, in *There Will Be Blood*, plays the ultimate baron using drainage to steal from neighbouring wells. The success of striking oil, on the other hand, is as elusive as diamond hunting. As such, it makes sense to follow a similar opportunistic approach when investing. The Q3 correction in the price of oil has provided such a situation. We've been taking advantage of low priced oil stocks, with positions in Paramount Resources, Prudhoe Bay Trust, and a portfolio of oil & gas corporate bonds. There may be blood left in oil, but valuations are looking ready for tapping.

Year	WTI (oil) Direction	Amount
2014	↓	22%
2011	↓	29%
2010	↓	23%
2006	↓	28%

To provide a buffer against underlying volatility and benefit from some favourable bond issuances, we have continued to stack the portfolio with high yield. The Vertex Growth Fund currently has a meaningful internal yield. The yielding portion of the portfolio is made up of interest from convertible bonds and dividends from refiners and REITs.

Position	Yield
CVR Refining LP	15.5%
BPT Prudhoe Bay	10.6%
New Residential REIT	11.7%
Newcastle Investment REIT	10.2%
Northern Tier	10.3%
Vertex Growth Fund	6.1%

Leading up to the Scottish independence vote in September, we took advantage of weak pricing in the Royal Bank of Scotland and Barclay's to re-establish positions. The below table provides an excellent comparison of global bank valuations. Many Canadian investors have surplus exposure to Canadian banks. This is partly due to the heavy financial weighting in the TSX and partly due to Canadian banks surviving the US and European financial crises. It's plain to see, however, from the below comparison that the best value lies well outside our borders. Canadian banks are trading around two times book value, whereas European counterparts are trading at fractions of their book value. We anticipate European banks will trade towards book value in the foreseeable future; we have positioned ourselves accordingly. Perhaps more importantly, is our lack of exposure to Canadian banks.

Bank Name	Price/Book Value
Bank of Montreal	1.71
Royal Bank of Canada	2.40
TD Bank	1.90
JPMorgan	1.00
Lloyds	1.20
Uni Credit	0.65
Barclay's	0.61
Royal Bank of Scotland	0.67
Commerzbank	0.45

Despite stock market weakness this fall, we are hopeful for a good finish to the year. We see the recent sell-off as a good opportunity to own sound companies at cheaper prices and usually that's a recipe for opportunistic success.

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

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	2 Year⁺	3 Year⁺	5 Year⁺	Since Inception
\$18.7613	-3.49%	-2.49%	9.89%	21.38%	19.93%	18.50%	14.57%	14.23%

⁺annualized return

Returns are net of all fees and include reinvested distributions.

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.