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VERTEX GROWTH FUND

Fourth Quarter Report, 2014

The Good, the Bad and the Ugly

The Good

European stocks look to us like an opportunity not seen since 2009 in the US equity markets. The Euro Stoxx 600 is currently yielding 2.7% compared to 30-year government bonds which, depending on the country, are between 1% and 2%. The same phenomenon of gaining yield from equities happened in 2009 when the S&P 500 yielded more than the 30-year Treasury. Today following a 5-year bull market in the US, the S&P 500 yields 1.9% versus the 30-year Treasury at 2.6%. Another tailwind for European equity is quantitative easing from the ECB. The ECB will look to enact similar stimulus policies to the US Federal Reserve in order to fight deflation. We think European stocks are poised for expansion and have been positioning the fund accordingly, albeit a little early but more on that later.

Banks	Price/Book Value
BMO	1.71
RBC	2.40
TD	1.90
JPMorgan	1.00
Lloyds	1.20
UniCredit	**0.65**
Barclay's	**0.61**
RBS	**0.67**
Commerzbank	0.45

The valuations of major banks globally are discordant. Canadian banks trade at unreasonable multiples to book value while their American counterparts trade near book value and European banks trade at fractions to book value. Plainly, book value equals the assets minus the liabilities of a company or what shareholders would receive if the company was liquidated. In other words, a reliable value indicator when you can buy a stock for less than its tangible value. We found previous success investing in American banks like Bank of America and Citigroup following the 2008 bankruptcy bailouts. They also traded at fractional values to book and saw their shares rise as the government divested with the banks recovering their solvency. A similar situation is unfolding in the UK. To that end, we have increased our weights in the Royal Bank of Scotland, Barclay's and a UniCredit bond. We see 2015 as their turn to emerge from the ashes.

We are also excited about our investment in the auto company Fiat. One of the many divisions Fiat owns is Ferrari. This year Fiat will be spinning-off the Ferrari division as a separate company. Fiat as a whole trades at half the valuation of Tesla Motors and yet Ferrari, one small division within the company, produces more cars-per-year than Tesla. We think the spinoff will create significant shareholder value with investor enthusiasm leading up to this catalyst.

Finmeccanica, an Italian aerospace and defense company, trades at a valuation cheaper than its European peers and is also spinning-off business divisions that do not align with their forte in aerospace. The sum of its parts equals 3-times its current valuation.

Back in North America, we hold Franco Nevada Warrants which provide excellent optionality for the investor. Each warrant allows for the purchase of 1 share of Franco Nevada stock at a price of $75 until 2017. The closer Franco Nevada trades to $75 the more valuable the warrants become. As a gold royalty company, Franco Nevada has bucked the trend. In a space where most companies have lost half their value over the last two years, Franco Nevada is trading at all-time highs.

The Tim Horton's takeover by Burger King, orchestrated by the Brazilian group 3G, led to a new position in the offshoot company Restaurant Brands International. We believe this Warren Buffet backed private equity group will be successful in driving increased earnings and shareholder value through aggressive cost-cutting and broadening revenue streams.

The Bad

High Yield has been a position in the fund for the past few years. We saw the risk-adjusted return as favourable, with the prospect for capital appreciation while accruing income. Beginning in the summer, volatility in the high yield space increased significantly. This only increased during the market selloff in October which coincided with the largest merger failure in history between Shire and AbbVie. The high yield space dropped nearly 5% in the last four months of 2014. The two single largest negative attributers to fund performance in 2014 were two high yield positions: Genworth Financial 6.15% bond and a Lightstream Resources 8.625% bond. In both cases, we think the selloffs (for different reasons) were overdone and the company's balance sheets are adequate to support future payments. That said, the opportunity for growth from high yield has diminished. Interest rates have moved to much lower levels and we don't see the opportunity for capital appreciation in this space, as we have in the past. Concordantly, we have been decreasing positions in high yield and it will not be a focus in 2015.

We began building our stake in European equity in the fall through positions in RBS, Barclays, UniCredit and Fiat. Although we are extremely bullish on Europe looking toward 2015, we were early on this trade. The European equity market significantly underperformed its North American counterparts during the second half of 2014, closing flat from June. We believe the tables will turn in 2015, with the ECB moving towards aggressive stimulus measures and stocks undervalued compared to North America.

The Ugly

Oil.

As stated in earlier commentaries we purchased the oil refiners CVR and Northern Tier Energy based upon their dividend yields of 12-15%. The premise was the large dividend provided a buffer against stock price volatility and would be the catalyst for price appreciation, in a yield starved environment. Nevertheless, when the price of oil began to collapse in September its inertia dragged along anything energy related. Despite the fact refiner profits aren't directly tied to the price of oil, the stocks suffered. Other exposure to the oil decline was through a long-held position in Paramount Resources and Kelt Exploration (a spin-off from a merger deal), Pacific Ethanol which had provided tremendous return to the fund in the first part of 2014, and the gas companies Artek Exploration and Golar LNG. Admittedly, we did not see the oil decline exacerbating to the levels that it has.

As a result, we have reduced considerably the fund's oil exposure. The energy weight is now 8% of the fund.

Conclusion

Perhaps, if Clint Eastwood's character was an advisor instead of a gunslinging cowboy, his famous line would have read: "*You see, in this world there's two kinds of people, my friend: Those who buy low/sell high, and those who buy high/sell low*."

Deviating from an investment plan following a dip rarely yields the intended result of protecting one's capital. Instead, it crystallizes one's losses and the opportunity for those assets to rebound. It's a perfectly simple rule but surprisingly hard for most investors (professional and amateur alike) to follow, as buying low and selling high is at odds with human instinct. Investors' panic, driven by a fear of losing more money or losing out on making more money. Panic IN, panic OUT. Quite simply, despite an underwhelming finish to and otherwise strong year, the good far outweighs the bad looking towards 2015. We could not be keener about our investments in the Vertex Growth Fund and our outlook for the upcoming year. It's a great time to buy low. I know we are.

Class F distributed income of $0.5101 and capital gains of $0.895356.
Class B distributed income of $0.4281 and capital gains of $0.928140.

PERFORMANCE (Class F shares as at December 31, 2014)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year+	5 Year+	Since Inception
$16.0000	-3.71%	-10.50%	-1.37%	-1.37%	14.57%	12.70%	12.24%

+annualized return
Returns are net of all fees and include reinvested distributions.