

VERTEX GROWTH FUND

Second Quarter Report, 2016

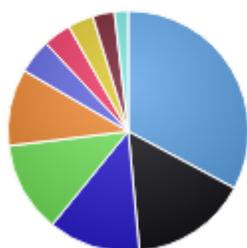
Over the last six months our large US dollar exposure hindered performance. A large part of our investment thesis has been that the USA will benefit from having some of the highest interest rates in the world, one of the best balance sheets, and one of the strongest economies. We reason these three key items will lead the US dollar to outperform global assets for years to come. Additionally, European countries now have such a strong reliance on low rates that using normalized rates would mean most countries wouldn't even be able to cover their interest costs. Switzerland recently became the first country to have negative interest rates across its entire yield curve (1-30 years), Japan looks like it will be second, followed by Germany. It's a crazy world if all safe assets are in fact liabilities.

The Fund ended the second quarter up 4.63% (Class F). Strong performance in Franco Nevada Warrants (the fund's largest position) contributed to a good quarter, following a tough start to the year. Our two remaining European positions did not fare well over the quarter in the face of Brexit uncertainty. These companies went from cheap to really cheap, so we continue to hold a position, albeit a reduced one. Some of the quarter's highlights include:

Q2 main detractors:	Q2 main contributors:
<ul style="list-style-type: none"> • Fiat -23% • Finmeccanica -20% • JC Penney -19% 	<ul style="list-style-type: none"> • Franco Nevada Warrants +92% • Paramount Resources +57% • Guardian Capital +15% • TransAlta Corp. +11%

We continue to have significant investment in merger arb, Gold, and USD for a low growth, low interest-rate environment. Our exposure to Europe was reduced to 5% of the Fund. Until rates rise, high-yielding equities look extremely attractive – we're aiming to increase our exposure in this area to 20% of the portfolio through various REITs offering high single-digit yields. M&A remains a core part of the Fund with an 18% weight in deals that have attractive spreads.

SECTOR ALLOCATION



For the first time, we were fortunate to make it to the Berkshire Hathaway annual meeting in Omaha this spring. This is the Woodstock festival for capitalists and a good place to refresh the principles of equity research. It's amazing to see an 85 year old Warren Buffet and 92 year Charlie Munger hosting a meeting from 8 am to past 4pm, with only one bathroom break at lunch! As the entire meeting is Q&A, the topics were wide ranging, but one question left a resounding imprint in our thoughts. The question was why Warren sold his investments in the reinsurance business. Reinsurance is the business an insurance company buys so it doesn't have too much exposure when the big one hits. Hence why Canada's largest insurance company had a relatively small loss for the multibillion dollar claims of Fort McMurray. Warrens answer: the reinsurance business is currently impaired due to low interest rates for the foreseeable future. Negative interest rates lure countries to issue more debt, like Canada is currently undertaking, while insurance companies struggle to find returns. Thus, margins will be lower for financial companies for years to come, so much so, that some banks now make more money on ancillary fees than net interest margins. In light of this, we reduced our small exposure to banks further, with reductions in JP Morgan and AIG.

We remain confident that the portfolio's holdings, although lagging of late, will prove their merit moving forward.

As always, we're here to discuss any questions or concerns you may have.

PERFORMANCE (Class F shares as at June 30, 2016)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year⁺	5 Year⁺	Since Inception⁺
\$16.6922	2.02%	4.63%	-2.06%	-3.95%	6.77%	7.35%	10.10%

⁺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.