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VERTEX GROWTH FUND

Third Quarter Report, 2016

Deutsche Bank is like England, or perhaps is the Donald Trump of the capital markets: once people lose confidence in the future, there's no coming back. The ECB was using quantitative easing to back stop its own banks, but the pie was too big for an equity injection under the more stringent guidelines of the new Basel Accord. Italy's upcoming referendum, scheduled for the first week of December, will be their own Brexit vote. This may be the third strike for Europe after Brexit and Deutsche Bank. In light of this, we've taken our profits and reduced our weight in Leonardo-Finmeccanica; our entire European exposure is now 2% of the portfolio – comprised solely of Fiat Chrysler, which trades at 4x earnings.

Like many markets on a global basis, equities are yielding substantially more than bonds. When it comes to looking at equities as an opportunity, Canada seems to be doing things right. The TSX yields almost 3%, versus 1.2% for a Canadian Government ten year bond – almost 3 times the return to own stocks over bonds. Given the number of securities that we've seen yield over 7%, and trade below their net asset value, we've added REITs. Along with utilities and pipelines, high-yielding equities now represent approximately 30% of our portfolio. On a risk-reward basis, this area looks as interesting today as our corporate bond exposure did when we added it in 2009. Proceeds to invest in this sector have come from reducing our positions in European equities and M&A. Lower interest rates year-after-year have compressed yields in Merger Arbitrage and reduced returns in this space.

We've sold our IAM Gold bond, which now yields in the low single digits, having rallied this year on bullion. Our metals exposure is now in Franco-Nevada warrants which are up over 100% this year. We view this as the safest way to own gold, with Franco-Nevada's diversified portfolio of hundreds of properties that collect royalties.

The funeral march continues for the retail sector – the only respite has been AAA malls (lower ranked malls will still end up closing). Due to the inclusion of a 'store within a store' concept with Sephora, JCPenney is one of a few department stores that has been able to post same store sales growth off of a lower base. Every retailer is in the midst of trying to reinvent themselves as the power of the internet has become equivalent to the Borg (think Star Trek). When millennials start to prefer "apps" over clothing for Christmas, it's going to be a rough road. Although JC Penney's customer is the last to adopt online shopping, we're losing hope for all department stores – other than those in AAA locations – so, we've decided to exit this position at a small loss.

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

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year+	5 Year+	Since Inception+
$17.4765	1.76%	4.70%	2.54%	7.10%	6.11%	10.86%	10.44%

+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.