VERTEX ONE
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VERTEX GROWTH FUND

Fourth Quarter Report, 2016

One of the benefits of being an opportunistic fund is that we can own a distressed security through the bankruptcy process and continue to own the security during the change from debt-to-equity. Traditional money managers or ETF managers are restricted to only own one asset class - such as bonds or stocks. Investors who are restricted with asset classification labels are forced sellers of capital restructuring securities, leaving us to capitalize on large price discrepancies seen in the capital reorganization process. There are only certain times in the economic cycle where the stars align for this type of investment. Of late, the world of defaulted oil and gas companies has grown considerably with over 116 debt-levered companies defaulting in 2016. These companies have struggled to be cost effective with lower oil prices. We are taking advantage of this situation by recently adding positions in Energy XXI, Breitburn Energy Partners, and Lilis Energy – Energy names including restructurings represent 20% of the portfolio. As an example, Lilis Energy recently emerged from bankruptcy with a large land parcel in the Permian basin, which ironically is experiencing land bidding wars for acreages in that area. As it became a public company, it traded at an 80% discount to its peers; it currently trades at a 50% discount to its peers. We expect this discount to disappear as new shareholders, from the previously restricted shareholders list, are allowed to purchase the stock which now qualifies within their asset universe.

This past quarter TransAlta Corporation (one of our larger positions) was able to negotiate a settlement with the Alberta Government in regards to its stranded coal assets and implement a consolidation for its preferred shares: this resulted in its shares moving higher by more than 20%. We still expect owners of the preferred equity to ask for a higher coupon to accept the consolidation terms, and shareholders of the common shares to realize higher prices. That is if management can monetize the income stream for compensation of the coal properties which are now stranded assets.

Lastly, lower interest rates over the past decade have pressured returns in the merger arbitrage space to levels which are unattractive to us in the Growth Fund. There are many new unknowns in Washington related to prospective Trump policies, but many are seen as potentially positive for deal making: pro-business initiatives, a lighter touch regulatory environment, and low-tax repatriation of offshore cash by US companies. Above it all, with continued strength in the US economy, we expect M&A activity to pick up over the year as there is more visibility into the policy implications of a Trump presidency. We continue to hold a select basket of cash-based deals with higher spreads but it represents less than 10% of the fund.

PERFORMANCE (Class F shares as at December 31, 2016)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year+	5 Year+	Since Inception+
$17.1057	4.48%	1.34%	3.91%	3.91%	2.97%	10.73%	10.26%

+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.