

Annual Report of the Independent Review Committee of the Vertex One Group of Funds

February 7, 2019

IRC Annual Report to: Securityholders in the Vertex One Group of Funds (the “Funds”) as listed at the end of this Report

Dear Securityholder,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** (“NI 81-107” or the “Instrument”), the Manager established an Independent Review Committee (the “Committee” or “IRC”) for the Funds in August 2009. The IRC has functioned in accordance with the applicable securities laws and comprises three individuals, each of whom is independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

The Manager also manages several funds that are not reporting issuers and to which NI 81-107 does not apply. The Manager was granted Exemptive Relief by the British Columbia Securities Commission (“BCSC”) on July 28, 2017. By way of the Exemptive Relief granted, the Manager has appointed the Committee to be the Independent Review Committee of the Non-Prospectus Funds listed below. The Manager deals with the conflicts of interest matters referred to in the Exemptive Relief by referring conflicts of interest to the IRC in accordance with the provisions of such relief and the provisions of Securities legislation referred to therein.

The IRC is pleased to publish its annual report to Securityholders, covering the period from January 1, 2018 to December 31, 2018 (the “Reporting Period”).

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide decisions to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will provide a decision to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to it. In those cases, the IRC seeks to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Lawrence A. Ward, FCPA, FCA, Chair, Toronto, Ontario	Consultant, Retired Partner of PricewaterhouseCoopers, LLP	Initial Appointment: August 5, 2009. Term: Three years from August 5, 2018.
Marie Rounding, Toronto, Ontario	Counsel at Gowling WLG (Canada) LLP and Corporate Director	Initial Appointment: August 5, 2009. Term: Three years from August 5, 2017.
Kevin Drynan, Toronto, Ontario	Consultant, Retired Financial Services Executive	Initial appointment January 1, 2015. Term: Three years from January 1, 2017.
Adam Conyers, Ashburn, Ontario	Chief Financial Officer of the CSE	Appointed November 1, 2018 with effect from January 1, 2019 for a period of three years

Larry Ward's resigned effective December 31, 2018. As part of the IRC's established succession plan, he did not stand for re-appointment. Adam Conyers was appointed to the IRC as his replacement on November 1, 2018 for a period of three years with effect from January 1, 2019.

Marie Rounding was appointed as Chair effective January 1, 2019.

Compensation and Indemnification

Review of Compensation

At least annually, the IRC reviews its compensation giving consideration to the following:

- the nature and complexity of the investment funds for which the IRC acts;
- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- industry best practices, including industry averages and surveys on IRC compensation; and
- the complexity of the conflict issues brought to the IRC.

The IRC did not recommend any change to its compensation at this time.

Members' Fees

In aggregate the IRC members were paid \$30,000 for the Reporting Period, plus applicable taxes.

Indemnities Granted

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC Members pursuant to this indemnity by the Funds or the Manager during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2018, the IRC Members did not beneficially own, directly or indirectly:

- any units in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or any Fund.

Decisions and Approvals

The Manager did not refer any conflict matters to the Committee and therefore the Committee made no decisions or approvals during the Reporting Period.

Standing Instructions Approved

A Standing Instruction, which constitutes a written approval or decision from the IRC that permits the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC.

Standing Instruction No. 1: Omnibus.

This SI deals with a number of conflict of interest matters including:

1. Fees and Expenses
2. Trade Allocations
3. Portfolio Pricing Issues
4. Pricing Errors and other Errors
5. Broker Selection and Best Execution
6. Distribution Issues
7. Showing Favoritism to smaller investors in a Fund
8. Voting Proxies
9. Outsourcing to Third-party Services
10. Personal Trading
11. Late Trading
12. Client Complaints
13. Capacity Issues

Standing Instruction Number 2: *Related Party Issues: Inter-fund Trades*

Manager's Report on its Standing Instructions

In accordance with the Instrument, the Manager provided a written report to the IRC describing its reliance on the SIs during the Reporting Period. The Manager relied on SIs No 1 and 2 during the Reporting Period.

Funds served by the IRC

Prospectus Funds

Vertex Value Fund

Vertex Enhanced Income Fund

Vertex Growth Fund

Non-prospectus Funds

Vertex Fund

Vertex Managed Value Portfolio

Vertex Arbitrage Fund

Vertex Arbitrage Fund Plus

Vertex Strategic Income Fund

This report is available on the Manager's website at <http://www.vertexone.com> or you may request a copy, at no cost to you, by contacting the Vertex Funds at 604-681-5787 or email the Vertex Funds at invest@vertexone.com. This document and other information about the Vertex Funds are available on www.sedar.com.

Yours truly,

Lawrence A. Ward, Chair

Schedule of IRC Members who sit on IRCs for other Fund Families

Lawrence A. Ward serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;
Investment funds that are reporting issuers managed by Sprott Asset Management LP;
Investment funds that are reporting issuers managed by Ninepoint Partners LP;
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management;
Certain investment funds managed by Goodwood Inc.; and
Investment funds that are reporting issuers managed by Russell Investments Canada Limited.

Marie Rounding serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.

Kevin Drynan serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Willoughby Asset Management Inc.
Investment funds that are reporting issuers managed by Genus Asset Management Inc.; and
Investment funds that are reporting issuers managed by Evolve Funds Group Inc.

Adam Conyers serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Federated Investors Canada ULC;
and
Investment funds that are reporting issuers managed by Harvest Portfolio Group Inc.;