

Vertex Value Fund

Annual Financial Statements
December 31, 2017



April 2, 2018

Independent Auditor's Report

To the Unitholders of Vertex Value Fund
(the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2017 and 2016 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licenced Public Accountants

Vertex Value Fund

Statements of Financial Position

As at December 31

	2017	2016
Assets		
Current assets		
Investments	\$ 227,948,096	\$ 174,634,532
Cash	228,500	355,979
Due from broker	1,827	-
Accrued interest	30,517	62,693
Dividends receivable	59,189	28,584
Subscriptions receivable	1,409,741	127,700
Unrealized gain on spot contracts	1,079	-
Derivative financial instruments		
Options	-	849,106
	<u>229,678,949</u>	<u>176,058,594</u>
Liabilities		
Current liabilities		
Management fees payable (Note 10)	\$ 371,016	\$ 270,046
Accrued performance fees (Note 10)	-	611,301
Redemptions payable	333,466	45,700
Due to broker	898,742	-
	<u>1,603,224</u>	<u>927,047</u>
Net Assets attributable to holders of redeemable units	<u>\$ 228,075,725</u>	<u>\$ 175,131,547</u>
Net Assets attributable to holders of redeemable units per Class		
Class B	\$ 79,262,855	\$ 73,357,939
Class F	<u>\$ 148,812,870</u>	<u>\$ 101,773,608</u>
Net Assets attributable to holders of redeemable units per unit		
Class B	\$ 27.54	\$ 26.62
Class F	<u>\$ 28.32</u>	<u>\$ 27.56</u>

Approved on behalf of the Board of Directors of Vertex One Asset Management Inc., the Investment Manager

"Signed"

John W. Thiessen
Director

"Signed"

Jeffrey McCord
Director

(The accompanying notes are an integral part of the financial statements.)

Vertex Value Fund

Statements of Comprehensive Income

For the years ended December 31

	2017		2016
Investment income			
Foreign exchange gain on cash	\$ 44,835	\$	10,588
Change in unrealized foreign exchange loss on cash	(430)		(3,466)
Net gain (loss) on investments			
Dividends	1,420,843		1,479,085
Interest for distribution purposes	745		165,792
Other Income	-		5,624
Net realized gain	21,728,400		10,507,043
Net change in unrealized (depreciation) appreciation	(5,607,411)		39,114,343
Total investment income	17,586,982		51,279,009
Expenses (Note 10)			
Management fees	3,001,436		2,036,752
Performance fees	2,237,592		611,301
Securityholder reporting costs	226,183		270,988
Other administrative expenses	51,609		62,778
Audit fees	46,372		44,645
Custody fees	40,183		31,558
Legal fees	29,384		9,840
Trustee fees	4,929		5,812
Independent review committee fees	18,099		19,601
Interest expense	177		1,203
Transaction costs	315,816		128,589
Withholding tax	63,760		103,268
	6,035,540		3,326,335
Net investment income	11,551,442		47,952,674
Increase in net assets attributable to holders of redeemable units	11,551,442		47,952,674
Increase in net assets attributable to holders of redeemable units per Class			
Class B	\$ 3,485,350	\$	20,635,084
Class F	\$ 8,066,092	\$	27,317,590
Increase in net assets attributable to holders of redeemable units per Class per unit			
Class B	\$ 1.20	\$	7.15
Class F	\$ 1.76	\$	7.90

(The accompanying notes are an integral part of the financial statements.)

Vertex Value Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31 2017

	Class B			
	2017	2016		
Net Assets attributable to holders of redeemable units, beginning of year	\$ 73,357,939	\$ 59,866,480		
Increase in net assets attributable to holders of redeemable units	3,485,350	20,635,084		
Capital transactions (Note 9)				
Proceeds from issuance of redeemable units	23,622,393	10,740,743		
Redemption of redeemable units	(21,202,827)	(17,884,368)		
Reinvestment of distributions to holders of redeemable units	1,406,864	-		
	<u>3,826,430</u>	<u>(7,143,625)</u>		
Distributions to holders of redeemable units (Note 6)				
From net realized gains	(1,406,864)	-		
	<u>(1,406,864)</u>	<u>-</u>		
Net Assets attributable to holders of redeemable units, end of year	\$ 79,262,855	\$ 73,357,939		
	Class F		Total	
	2017	2016	2017	2016
Net Assets attributable to holders of redeemable units, beginning of year	\$ 101,773,608	\$ 70,965,615	\$ 175,131,547	\$ 130,832,095
Increase in net assets attributable to holders of redeemable units	8,066,092	27,317,590	11,551,442	47,952,674
Capital transactions (Note 9)				
Proceeds from issuance of redeemable units	55,661,572	26,000,729	79,283,965	36,741,472
Redemption of redeemable units	(16,688,402)	(22,510,326)	(37,891,229)	(40,394,694)
Reinvestment of distributions to holders of redeemable units	4,727,136	-	6,134,000	-
	<u>43,700,306</u>	<u>3,490,403</u>	<u>47,526,736</u>	<u>(3,653,222)</u>
Distributions to holders of redeemable units (Note 6)				
From net realized gains	(4,727,136)	-	(6,134,000)	-
	<u>(4,727,136)</u>	<u>-</u>	<u>(6,134,000)</u>	<u>-</u>
Net Assets attributable to holders of redeemable units, end of year	\$ 148,812,870	\$ 101,773,608	\$ 228,075,725	\$ 175,131,547

(The accompanying notes are an integral part of the financial statements.)

Vertex Value Fund

Statements of Cash Flows

For the years ended December 31 2017

	2017	2016
Operating activities		
Increase in net assets attributable to holders of redeemable units	\$ 11,551,442	\$ 47,952,674
Adjustment for non-cash items:		
Net change in unrealized depreciation (appreciation) on investments and derivatives	5,607,411	(39,114,343)
Net realized gain on investments and derivatives	(21,728,400)	(10,507,043)
Change in unrealized foreign exchange (gain) loss on cash	430	3,466
	<u>(4,569,117)</u>	<u>(1,665,246)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in accrued interest	32,176	(10,887)
Increase (decrease) in dividends receivable	(30,605)	42,360
Increase in management fee payable	100,970	85,830
(Decrease) increase in accrued performance fees	(611,301)	611,301
	<u>(508,760)</u>	<u>728,604</u>
Proceeds on disposition of investments and derivatives, including proceeds received on shorts	63,781,862	36,735,920
Purchase of investments and derivatives, including cover for shorts	(99,228,416)	(31,574,381)
	<u>(35,446,554)</u>	<u>5,161,539</u>
Net cash provided to (from) operating activities	<u>(40,524,431)</u>	<u>4,224,897</u>
Financing activities		
Proceeds from issuance of redeemable units**	71,182,476	31,034,448
Redemption of redeemable units**	(30,784,015)	(35,315,788)
Net cash from (provided to) financing activities	<u>40,398,461</u>	<u>(4,281,340)</u>
Decrease in Cash	(125,970)	(56,443)
Change in unrealized foreign exchange (gain) loss on cash	(430)	(3,466)
Cash*, Beginning of period	<u>355,979</u>	<u>415,888</u>
Cash*, End of period	<u>\$ 229,579</u>	<u>\$ 355,979</u>
Supplemental Information (included in operating activities)		
Cash paid for interest	177	1,203
Cash received from interest, net of withholding taxes	32,921	154,905
Cash received from dividends, net of withholding taxes	1,326,478	1,418,177

* Cash includes cash pledged as collateral, if any

** The amounts of proceeds and redemptions exclude non cash items such as switches and exchanges between classes for December 31, 2017 amounting to \$6,819,448 (December 31, 2016 - \$6,070,672)

(The accompanying notes are an integral part of the financial statements.)

Vertex Value Fund

Schedule of Investments

As at December 31, 2017

Number of Shares/ Par Value	Description	Coupon Rate %	Maturity Date	Average Cost \$	Fair Value \$	% of Total
BONDS						
Corporate Bonds						
230,000	Energpulse Technologies Inc., Term Loan*	10.000%	20-Feb-18	289,455	2,891	
300,000	Rockshield Engineered Wood Products UCL*	18.000%	15-Sep-17	300,000	264,000	
83,239	Rockshield Engineered Wood Products ULC, Convertible*	30.000%	31-Jan-18	83,239	83,239	
TOTAL Corporate Bonds				672,694	350,130	0.15
TOTAL BONDS				672,694	350,130	0.15
STOCKS						
CONSUMER DISCRETIONARY						
208,634	Beazer Homes USA Inc.			3,772,936	5,037,879	
76,960	M.D.C. Holdings Inc.			2,256,527	3,084,034	
50,640	Overstock.com Inc.			1,078,931	4,067,521	
250,000	Unisync Corp.			500,000	812,500	
TOTAL CONSUMER DISCRETIONARY				7,608,394	13,001,934	5.70
ENERGY						
472,400	Athabasca Oil Corp.			466,917	505,468	
29,108,590	Blackbird Energy Inc.			8,160,852	10,188,007	
7,823,357	Blackbird Energy Inc., Warrants, (19May21)			110,757	1,369,087	
213,000	Calfrac Well Services Ltd.			945,354	1,273,740	
1,390,233	Chinook Energy Inc.			502,521	354,509	
787,000	Delphi Energy Corp.			999,490	889,310	
76,379	Diamond Offshore Drilling Inc.			1,509,312	1,784,796	
386,211	Enesco PLC			3,075,767	2,869,111	
155,500	High Arctic Energy Services Inc.			797,022	608,005	
104,400	Hornbeck Offshore Services Inc.			661,329	408,128	
1,544,883	InPlay Oil Corp.			2,691,368	2,997,073	
2,000,000	InPlay Oil Corp., Restricted*			2,880,000	3,020,000	
136,996	Kelt Exploration Ltd.			871,970	985,001	
1,207,847	Leucrotta Exploration Inc.			1,481,459	2,077,497	
1,292,912	Noble Corp. PLC			8,912,650	7,345,861	
1,260,300	Obsidian Energy Ltd.			1,596,981	1,966,068	
693,388	Painted Pony Energy Ltd.			3,782,343	1,851,346	
117,566	Patterson-UTI Energy Inc.			2,880,705	3,400,428	
2,390,895	Petroshale Inc.			2,308,792	5,140,424	
1,835,949	Pine Cliff Energy Ltd.			984,242	844,537	
113,259	Precision Drilling Corp.			475,880	431,517	
166,667	Razor Energy Corp.			500,001	275,001	
83,333	Razor Energy Corp., Warrants, (24May18)*			-	-	
8,333,400	Return Energy Inc.			1,000,008	833,340	
8,333,400	Return Energy Inc., Warrants, (10Mar18)*			-	8	
6,166,579	Surge Energy Inc.			15,580,226	12,888,150	
260,376	Transocean Ltd.			3,985,265	3,495,485	
3,736,452	Trinidad Drilling Ltd.			7,607,005	6,351,968	
1,328,829	Yangarra Resources Ltd.			1,822,029	6,604,280	
TOTAL ENERGY				76,590,245	80,758,145	35.41
FINANCIALS						
30,000	AmTrust Financial Services Inc.			539,727	379,740	
626,745	Boff Holding Inc.			15,181,526	23,555,772	
177,767	CatchMark Timber Trust Inc., Class 'A'			2,547,049	2,933,939	
575,000	Energpulse Technologies Inc.			-	5,421	
250,000	Trakopolis IoT Corp.			250,000	200,000	
TOTAL FINANCIALS				18,518,302	27,074,872	11.87
HEALTH CARE						
5,603	Gilead Sciences Inc.			515,508	504,558	
				515,508	504,558	0.22
INDUSTRIAL						
201,405	Century Communities Inc.*			4,141,456	7,873,465	
1,308,383	Conifex Timber Inc.			8,707,460	7,196,107	
104,284	Prairie Provident Resources Inc.			285,905	47,971	
TOTAL INDUSTRIAL				13,134,821	15,117,543	6.63
INFORMATION TECHNOLOGY						
13,826	Arrow Electronics Inc.			1,373,596	1,397,468	
173,356	CalAmp Corp.			3,417,994	4,669,779	
78,858	Flextronics International Ltd.			1,203,259	1,783,250	
457,266	LightPath Technologies Inc., Class 'A'			739,558	1,276,019	
48,799	Qorvo Inc.			1,499,039	4,085,267	
33,958	Skyworks Solutions Inc.			1,346,003	4,052,960	
206,479	Unisys Corp.*			2,212,892	2,115,284	
TOTAL INFORMATION TECHNOLOGY				11,792,341	19,380,027	8.50

Vertex Value Fund
Schedule of Investments
As at December 31, 2017 (continued)

Number of Shares/ Par Value	Description	Average Cost \$	Fair Value \$	% of Total
MATERIALS				
300,000	1038050 B.C. Ltd.*	300,000	15,000	
174,012	Canfor Corp.	3,114,020	4,312,017	
3,932,594	Copper Mountain Mining Corp.	5,269,253	6,016,869	
737,500	Copper Mountain Mining Corp., Warrants, (02Aug19)*	-	597,375	
1,428,571	DelphX Corp.*	500,000	500,000	
2,210,916	Diamcor Mining Inc.*	2,050,990	1,039,131	
434,500	Diamcor Mining Inc., Warrants, (30Dec17)*	-	435	
82,723	Diamcor Mining Inc., Warrants, (31Aug19)*	-	-	
588,235	Diamcor Mining Inc., Warrants, (09Jun20)*	-	1	
5,555,556	Gensource Potash Corp.	500,000	416,667	
5,555,556	Gensource Potash Corp., Warrants, (19Sep18)*	-	5,556	
166,667	Golden Arrow Resources Corp., Warrants, (28Jan18)*	-	-	
543,075	Interfor Corp.	6,355,115	11,469,744	
230,026	MAG Silver Corp.	1,859,439	3,570,004	
141,795	Major Drilling Group International Inc.	866,639	1,001,073	
612,999	McEwen Mining Inc.	1,134,741	1,753,177	
666,666	Miramont Resources Corp.*	200,000	273,333	
666,666	Miramont Resources Corp., Warrants, Restricted, (14Nov18)*	-	1	
2,387,672	Northern Dynasty Minerals Ltd.	4,991,058	5,312,308	
787,500	Northern Dynasty Minerals Ltd.	1,826,969	1,764,000	
24,238,933	Red Eagle Mining Corp.	13,670,668	7,998,848	
8,079,644	Red Eagle Mining Corp., Warrants, (07Aug22)*	-	323,186	
717,208	Rise Gold Corp.	143,442	112,148	
1,250,000	Rise Resources Inc., Warrants, (23Dec18)*	-	1	
100,101	Schmitzer Steel Industries Inc., Class 'A'	2,241,081	4,215,203	
5,337,910	Taseko Mines Ltd.	6,332,100	15,693,454	
2,192,390	Western Forest Products Inc.	4,040,654	5,371,356	
	TOTAL MATERIALS	55,396,169	71,760,887	31.46
	TOTAL STOCKS	183,555,780	227,597,966	99.79
	TOTAL INVESTMENTS BEFORE TRANSACTION COSTS	184,228,474	227,948,096	99.94
	Transaction Costs (Note 2)	(427,894)		
	TOTAL INVESTMENTS	183,800,580	227,948,096	99.94
	CASH		228,500	0.10
	OTHER ASSETS, LESS LIABILITIES		(100,871)	(0.04)
	TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	183,800,580	228,075,725	100.00

*Denotes manually priced securities using a fair valuation model

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

1. Establishment of the Fund

The Vertex Value Fund (the “Fund”) was created on September 14, 2009 under the laws of British Columbia. The address of the Fund’s registered office is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, BC, V7X 1T2. Vertex One Asset Management Inc. is the Manager and CIBC Mellon is the Trustee and Custodian of the Fund. The Fund commenced operations on September 21, 2009. The Fund currently offers an unlimited number of Class B and Class F Units.

The investment objective of the Fund is to provide long term capital growth by investing primarily in equity securities of Canadian and other North American companies.

2. Basis of presentation and adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (“IASB”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss

The annual financial statements were authorized for issue by the Manager on April 2, 2018.

3. Significant accounting policies

Financial assets and financial liabilities at fair value through profit or loss

a) Classification

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss (FVTPL).

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. The Fund’s investments are so designated.

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

The Fund's policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

b) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities are initially recognized at fair value. Transaction costs related to financial instruments at FVTPL are expensed as incurred in the Statements of Comprehensive Income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income within net realized gain (loss) on investments.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income within changes in unrealized appreciation (depreciation) in value of investments in the period in which they arise.

All other financial assets and liabilities are measured at amortized cost due to their short term nature.

c) Revenue Recognition

Dividend income from financial assets at fair value through profit or loss is recognized in the Statements of Comprehensive Income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the Statements of Comprehensive Income as interest income for distribution purposes which represents the coupon interest on debt instruments held by the Fund determined on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized. Net realized gain (loss) and net change in unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in profit or loss as an expense.

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

Fair value measurement

For financial statement purposes, investments traded on a recognized exchange, are recorded at fair value, established by last traded market price where the last traded market price falls within the day's bid ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

The value of any security which is not listed or traded on an exchange, but which is listed or traded on another market, including an over-the-counter market, being a marketplace other than an exchange where securities are normally purchased and sold and quotations are in common use in respect thereof, shall be determined in the same manner as a listed security by reference to prices on that market.

Warrants if listed on a recognized exchange are valued at the latest available close price. If the warrants are not listed, but a secondary market exists then the independent broker prices (if available), who trade in such market will be used. If no secondary market exists, the warrants will be valued using the Black Scholes option pricing model.

The value of any security or property for which, in the opinion of the Manager the published market quotations are not readily available shall be the fair value as determined by the Manager based on valuation techniques. The fair value of certain securities are determined by using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, discounted cash flow analysis, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indicators of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Cash

Cash is comprised of cash on deposit.

Options

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected in the Schedule of Investments. Exchange traded options are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In cases where the last traded price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Over the counter options are valued using industry-accepted modeling techniques on each valuation day.

Unlisted options are valued using the Black Scholes model.

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

Realized gains and losses relating to purchased options may arise from:

- i) Expiration of purchased options – realized losses will arise equal to the premium paid;
- ii) Exercise of the purchased options – for put options, realized gains will arise up to the intrinsic value of the option net of premiums paid and for call options, the premium will be added to the cost base of the security purchased; or
- iii) Closing of the purchased options – realized gains or losses will arise equal to the proceeds from selling the options to close the position, net of any premium paid.

Realized gains and losses relating to written options may arise from:

- i) Expiration of the written options – realized gains will arise equal to the premium received;
- ii) Exercise of the written options – for call option, realized gains or losses will arise equal to the sum of the premium received and the realized gain or loss from the disposition of the related portfolio investment at the exercise price of the option and for put option, the premium will be deducted from the cost base of the security purchased; or
- iii) Closing of the written options – realized gains or losses will arise equal to the cost of purchasing options to close the position net of any premium received.

Realized gains and losses related to options are included in “Net realized gain (loss) on investments and derivatives” in the Statements of Comprehensive Income.

Foreign currency translation

The Fund’s subscriptions and redemptions are denominated in Canadian dollars which is also its functional and presentation currency. Assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year end. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the transaction date. Foreign exchange gains and losses relating to cash are presented as ‘foreign exchange gain (loss) on cash’ and those related to investments and derivatives are included in ‘net realized gain (loss) on investments and derivatives’ and ‘change in unrealized (depreciation) appreciation in value investments and derivatives’.

Securities lending

The Fund engages in securities lending transactions. The Fund will receive collateral of at least 102% of the value of securities on loan. Collateral will generally be comprised of securities guaranteed by the Government of Canada or a province or territory of Canada, or by other governments with appropriate credit ratings, or by financial institutions, but may include commercial paper with an approved credit rating and or convertible securities. As at December 31, 2017, the aggregate dollar value of portfolio securities lent and the collateral held under securities transactions were \$nil of equity securities (December 31, 2016 - \$nil) and \$nil of government debt securities (December 31, 2016 - \$nil) respectively. Income earned from securities lending is included in securities lending income in

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

the Statements of Comprehensive Income. There were no income earned from securities lending during the years ended December 31, 2017 and December 31, 2016.

Increase in net assets attributable to holders of redeemable units for each Class

Increase in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase in net assets attributable to holders of redeemable units for the year per class, divided by the weighted average units outstanding during the year for that class.

Net Assets attributable to holders of redeemable units and related per unit amounts

The Fund issues two classes of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit class. Units are redeemable daily. The redeemable units are carried at the redemption amount that is payable at the Statements of Financial Position date if the holder exercises the right to put the unit back to the Fund. Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the holders of each class of redeemable units with the total number of outstanding redeemable units for each respective class. Investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit (NAV) for transactions with unitholders. As at December 31, 2017 and December 31, 2016, there were no differences between the Fund's net asset value per security and its net assets per security calculated in accordance with IFRS.

A separate NAV is calculated for each Class of units of the Fund by taking the Class' proportionate share of the Fund's common assets less that Class' proportionate share of the Fund's common liabilities and deducting from this amount all liabilities that relate solely to a specific Class. The NAV per unit for each Class is determined by dividing the NAV of each Class by the number of units of that Class outstanding on the valuation date.

Classification of redeemable units issued by the Fund

Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS32 for classification as equity and therefore, have been classified as financial liabilities.

Taxation

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund has determined that it is in substance not taxable and therefore does not record income taxes in the Statements of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

Statement of Financial Position. As at December 31, 2017 and December 31, 2016, the Fund had \$nil of unused capital losses which have no expiry and \$nil of non-capital losses.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

4. Future Accounting Change

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

During 2017, the Fund performed a high-level impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Fund in the future. Overall, the standard is not expected to have a material impact on the measurement basis of the financial assets held by the Fund since majority of the financial assets are measured at fair value through profit or loss. No impact on the Net Assets and the results of the Fund is expected from the adoption of IFRS 9.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments in applying its accounting policies and to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual amounts could differ from those estimates.

Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. See Note 6 for more information on the fair value measurement of the Fund’s financial statements.

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those that are not.

6. Fair value disclosure

The Fund classifies fair value measurements within a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3- unobservable inputs for the asset or liability.

The Fund’s financial instruments which are recorded at fair value have been categorized based upon this fair value hierarchy. The following fair value hierarchy table presents information about the Fund’s financial instruments measured at fair value as at December 31, 2017 and December 31, 2016.

	Financial assets at fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Stocks - Long	221,493,984	\$ 3,293,333	\$ 515,000	\$ 225,302,317
Bonds	-	-	350,130	350,130
Warrants	1,369,087	926,562	-	2,295,649
	\$ 222,863,071	\$ 4,219,895	\$ 865,130	\$ 227,948,096

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

	Financial assets at fair value as at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Stocks - Long	\$ 167,573,778	\$ 2,366,606	\$ 300,000	\$ 170,240,384
Bonds	-	-	1,072,126	1,072,126
Warrants	3,051,109	-	270,913	3,322,022
Options	\$ 849,106	\$ -	\$ -	849,106
	<u>\$ 171,473,993</u>	<u>\$ 2,366,606</u>	<u>\$ 1,643,039</u>	<u>\$ 175,483,638</u>

Investments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an investment classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, investments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Likewise, if an investment classified as Level 2 or Level 3, subsequently becomes actively traded and/or have a quoted price available, it is transferred into Level 1.

The Fund uses the following techniques to determine the Level 2 fair value measurements:

Equities - The fair value of equities are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability directly or indirectly. This includes transaction prices in markets that are not active for identical instruments, quoted prices in markets for similar, but not identical, instruments and transaction prices in markets that are not active for similar, but not identical, instruments.

Bonds - The fair value of bonds are determined by obtaining the quoted market prices or executable dealer quotes for identical or similar instruments in inactive markets, or other inputs that are observable or can be corroborated by observable market data. In addition, the Fund also values these instruments using the net present value of estimated future cash flows.

Forward contracts - The fair value of forward foreign exchange contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present value.

Options and other over-the-counter derivatives - Options and other over-the-counter derivatives are classified as level 1 when they are exchanged traded and prices are readily available on the market. Where they are not traded, the Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for these non-standardized financial instruments such as options and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs. Where the inputs are observable, the options and other over-the-counter derivatives are classified into level 2. Where the inputs are not observable, they are classified into level 3.

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

Warrants - The fair value of warrants are valued using the Black Scholes options pricing model. The warrants are classified as Level 2 where the underlying security is listed and the other inputs are observable.

Level 3 fair value measurements and sensitivity analysis

Equities

Equities classified within Level 3 with fair value of \$15,000 at December 31, 2017, (\$300,000 - December 31, 2016) and consists of private equity positions. The Fund utilizes comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortization (EBITDA). The trading multiple is then discounted for consideration such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Bonds

Bonds classified within Level 3 with fair value of \$350,130 at December 31, 2017, (\$1,072,126 - December 31, 2016) consists of corporate bonds. The Fund values these instruments using the net debt to EBITDA. The Fund considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

Warrants

Warrants classified within Level 3 amount to \$nil for December 31, 2017, (\$270,913 - December 31, 2016) have significant unobservable inputs, as the underlying securities trade infrequently or are privately held. As observable prices are not available for the underlying securities, the Manager uses Black Scholes as a valuation technique to derive the fair value of the underlying securities. A sensitivity analysis for Level 3 warrants is not presented as it was deemed the impact of reasonable changes in inputs would not be significant.

The following table presents the sensitivity analysis for level 3 securities with significant unobservable inputs as at December 31, 2017 and December 31, 2016:

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

Description	Fair Value at December 31, 2017	Valuation Techniques		Unobservable Inputs	Weighted average input	Reasonably possible shift +/-= (absolute value)	Change in the valuation (+/-)
Equities	\$15,000	Comparable trading multiples		Enterprise value to EBITDA	13.0	1	\$1,049
Debt Securities	\$350,130	Net debt to EBITDA		Sales Multiple	11.5	1	\$17,496

Description	Fair Value at December 31, 2016	Valuation Techniques		Unobservable Inputs	Weighted average input	Reasonably possible shift +/-= (absolute value)	Change in the valuation (+/-)
Equities	\$300,000	Comparable trading multiples		Enterprise value to EBITDA	12.0	1	+/- \$25,000
Debt Securities	\$1,072,126	Net debt to EBITDA		Net debt to EBITDA	5.5	1	+/- \$25,000
Warrants	\$270,913	Black Scholes		Volatility	30 Vol	1 Vol	+/- \$5,492

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in the cost of capital and profitability of default would both lead to a decrease in the estimated value. For investments that use broker quotes, grey markets and cost, there will be no effect on its estimated value.

Reconciliation of Level 3 fair value measurements

The following is a reconciliation of Level 3 fair value measurements from December 31, 2016 to December 31, 2017:

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

	Fair value measurements using level 3 inputs			
	Warrants	Equities - long	Bonds	Total
Balance at December 31, 2016	\$ 270,913	\$ 300,000	\$ 1,072,126	\$ 1,643,039
Sales	-	-	(1,063,300)	(1,063,300)
Purchases	-	500,000	383,239	883,239
Transfers out	(270,362)	-	-	(270,362)
Gains (Losses)				
Realized	-	-	797	797
Unrealized	(551)	(285,000)	(42,733)	(328,284)
Balance at December 31, 2017	\$ (0)	\$ 515,000	\$ 350,130	\$ 865,130
Total change in unrealized gain (loss) during the year for assets held at December 31, 2017	\$ -	\$ (285,000)	\$ (36,193)	\$ (321,193)

The following is a reconciliation of Level 3 fair value measurements from December 31, 2015 to December 31, 2016:

	Fair value measurements using level 3 inputs			
	Warrants	Equities - long	Bonds	Total
Balance at December 31, 2015	\$ 25,847	\$ 300,000	\$ 2,336,423	\$ 2,662,270
Sales	-	-	(1,150,000)	(1,150,000)
Gains (Losses)				
Realized	-	-	113	113
Unrealized	245,066	-	(114,410)	130,656
Balance at December 31, 2016	\$ 270,913	\$ 300,000	\$ 1,072,126	\$ 1,643,039
Total change in unrealized gain (loss) during the year for assets held at December 31, 2016	\$ 245,066	\$ -	\$ (228,509)	\$ 16,557

The were no transfers between Levels 1 and 2 for assets and liabilities held at December 31, 2017:

The following were the transfers between Levels 1 and 2 for assets and liabilities held at December 31, 2016:

	Transfer from level 1 to level 2	Transfer from level 2 to level 1
	2016	2016
Equities - Long	\$ -	\$ -

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

7. Financial instruments by category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2017 and December 31, 2016.

	Net gains (losses)	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets/liabilities at FVTPL		
HFT	\$ (1,862,682)	\$ 4,153,569
Designated at inception	19,405,121	47,115,117
Total	<u>\$ 17,542,439</u>	<u>\$ 51,268,686</u>

8. Investment Entity

The fund has determined that it meets the definition of an "investment entity" and as a result, it measures subsidiaries, if any, at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purposes of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgement that the Fund has made in determining that it meets this definition is that fair value is the primary measurement attribute used to measure and evaluate the performance of substantially all of its investments.

9. Redeemable units

Redeemable units transactions includes amounts representing unit subscriptions, unit redemptions, undistributed net income, undistributed realized gains (losses) on sale of investments and unrealized appreciation (depreciation) in value of investments. Units are redeemable daily. The Fund generally has no restrictions or specific capital requirements on the subscription and redemptions of units. In accordance with the objectives and the risk management policies outlined in note 12, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed. The following table summarizes the changes in the number of redeemable units during the year:

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

	December 31, 2017		December 31, 2016	
	Class B	Class F	Class B	Class F
Units-Beginning of year	2,755,416	3,693,068	3,148,583	3,622,878
Redeemable units issued	868,464	1,995,219	514,897	1,244,785
Redeemable units reinvested	53,103	173,610	-	-
Redeemable units redeemed	(799,312)	(607,627)	(908,064)	(1,174,595)
Units-End of year	2,877,671	5,254,270	2,755,416	3,693,068

Certain directors and/or related parties of the Fund held 15.98% of the Fund units at December 31, 2017 (December 31, 2016 – 19.66%).

10. Fees and expenses

a) Management fees

Pursuant to the terms of a management agreement, the Fund pays to the Manager, monthly in arrears, a base management fee for services, including the provision of key management personnel. The management fee may vary from class to class and for each of the existing classes of units is as follows:

Class B: 1/365 of 2% (2% per annum) of the NAV of the Class B Units on the preceding business day plus applicable taxes.

Class F: 1/365 of 1% (1% per annum) of the NAV of the Class F Units on the preceding business day plus applicable taxes.

The management fees incurred for the year ended December 31, 2017 were \$3,001,436 (December 31, 2016– \$2,036,752) of which \$ 371,016 (December 31, 2016 - \$270,046) were outstanding as at year end.

b) Performance fees

The Fund will pay to the Manager a performance fee, plus applicable taxes, in relation to each class of units that is equal to 20% of the amount by which the total return of the class of units exceeds the total percentage increase or decrease of the following benchmarks having the following components, for the period since the performance fee was last paid.

- 50% weighting - S&P 500 Total Return Index (or its successor indices, as applicable)
- 50% weighting - S&P/TSX Composite Total Return Index (or its successor indices, as applicable)

If at any time the performance of the Fund is less than its benchmark, then no performance fee will be payable until the performance of the Fund relative to its benchmark has exceeded the amount of the deficiency.

Vertex Value Fund

Notes to Financial Statements

December 31, 2017

The performance fees incurred for the year ended December 31, 2017 were \$2,237,592 (December 31, 2016 – \$611,301) of which \$nil (December 31, 2016 - \$611,301) were outstanding as at year end.

c) Other fees and expenses

The Fund is responsible for the payment of all fees and expenses relating to its operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), recordkeeping, legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of Units (except for formation and organization costs and costs associated with the preparation and filing of the simplified prospectus and the annual information form), providing financial and other reports to Unitholders and convening and conducting meetings of unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest, all brokerage and other fees relating to the purchase and sale of the assets of the Fund, and the fees and expenses of the IRC. The Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the Fund).

At the discretion of the Manager, no expenses were absorbed during the years ended December 31, 2017 and December 31, 2016.

11. Soft dollar commissions

Soft dollar commissions relate to amounts paid to brokers in exchange for research or other services provided to the manager. There were \$12,856 (December 31, 2016 – \$6,033) soft dollar commissions paid during the year.

12. Financial risk management

The Fund's financial instruments consist of investments, cash, accrued interest and dividends receivable, subscriptions receivable, other assets, accrued management fees, accounts payable and accrued liabilities, due to/from broker and redemptions payable. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The Manager maintains a risk management practice that includes quarterly monitoring of the returns based risk profile of the Fund. The purpose of such practices is to minimize the potential adverse effect of each risk on the Fund's financial performance while being consistent with the Fund's investment objective. The risks include market risk (including other price risk, interest rate risk and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

(a) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's other price risk is managed through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

As of December 31, 2017, if the market price of the Fund's net equity position and option investments had increased or decreased by 5% with all other variables held constant, this would have approximately increased or decreased net assets by \$11,379,898 (December 31, 2016 - \$8,720,576). Actual results may differ from this sensitivity analysis and those results could be material.

(b) Interest rate risk

As at December 31, 2017, 0.15% (December 31, 2016 – 0.61%) of the Fund's investment portfolio consists of interest bearing corporate bonds and foreign bonds. As a result, the Fund was subject to interest rate risk due to fluctuations in the prevailing level of market interest rates which could impact the Fund's cash flows.

The table below summarizes the Fund's exposure to interest rate risk. It includes the Fund's assets and liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year	1 - 5 years	More than 5 years	Total
As at December 31, 2017				
Financial Assets				
Bonds*	\$ 350,130	\$ -	\$ -	\$ 350,130
As at December 31, 2016				
Financial Assets				
Bonds*	\$ 1,069,042	\$ 3,084	\$ -	\$ 1,072,126

* The amount of bonds is net of short securities, if any

At December 31, 2017, should interest rates have increased or decreased by 25 basis points with all other variables remaining constant, the decrease or increase in net assets for the year would amount to approximately \$22 (December 31, 2016 - \$1,844). Actual results may differ from this sensitivity analysis and those results could be material. The Fund's managers review the interest rate exposure on a regular basis.

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

(c) Currency risk

Currency risk is the risk that the value of net investments denominated in currencies, other than Canadian Dollars, the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Fund holds assets and liabilities, including cash, short-term investments, equities, and options that are denominated in currencies other than the Canadian Dollar. It is therefore exposed to currency risk, as the value of and cash flows associated with the securities denominated in other currencies fluctuate due to changes in exchange rates. The Fund's manager reviews the currency positions of the Fund on a regular basis and the Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

The currency risk reflects the net impact after taking into consideration the forward contracts. Actual results may differ from this sensitivity analysis and those results could be material. As at December 31, 2017 and December 31, 2016, if the Canadian dollar strengthened or weakened by 5% in relation to all other currencies, with all other variables held constant the decrease or increase respectively in net assets would approximately amount to values as disclosed in the table below:

As at December 31, 2017					
	Monetary exposure	Non-monetary exposure	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	\$ (848,660)	\$ 96,156,477	\$ 95,307,818	41.79%	\$ 4,765,391
Total	\$ (848,660)	\$ 96,156,477	\$ 95,307,818	41.79%	\$ 4,765,391

As at December 31, 2016					
	Monetary exposure	Non-monetary exposure	Net currency exposure	% of Net assets attributable to holders of redeemable units	5% Decrease /increase
US Dollar	197,060	\$ 108,331,982	\$ 108,529,043	61.97%	\$ 5,426,452
Total	\$ 197,060	\$ 108,331,982	\$ 108,529,043	61.97%	\$ 5,426,452

(d) Credit risk

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. The Fund's main credit risk is from corporate bonds, preferred shares, and derivative contracts. To maximize the credit quality of its investments, the Fund's manager performs ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information. Cash is held with a custodian bearing a credit rating of Aa3 or better.

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

The Fund invests in debt securities which have an investment grade as rated primarily by Dominion Bond Rating Service and Standard & Poor’s. Ratings for securities that subject the Fund to credit risk are noted below:

Portfolio by rating category	Percentage of net assets	
	December 31, 2017	December 31, 2016
Rating		
N/R	0.15%	0.61%
Total	0.15%	0.61%

The Fund also engages in securities lending transactions. The credit risk related to securities lending transactions is limited by the fact that the value of cash or securities held as collateral by the Fund in connection with these transactions is at least 102 percent of the fair value of the securities loaned. The collateral and loaned securities are marked to market on each business day. The aggregate dollar value of portfolio securities lent and collateral held under securities transactions is stated in Note 3.

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold/lent is only made once the broker has received payment. Payment is made on securities purchased/borrowed once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

(e) Liquidity risk

Liquidity risk is the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund’s exposure to liquidity risk is concentrated in the cash redemptions of units and securities sold short at the monthly valuation date. The Fund invests primarily in securities that are traded in active markets and can be readily disposed. The Fund may, from time to time, invest in derivative contracts traded over the counter or in unlisted securities, which are not traded in an organized market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Investments held as at December 31, 2017 that may be subject to liquidity risk have been identified on the Schedule of Investments. In addition, the Fund retains sufficient cash to maintain liquidity.

The tables below analyze the Fund’s financial liabilities as at December 31, 2017 and December 31, 2016 into relevant groupings based on contractual maturity dates. The amounts are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant. The net assets attributable to holders of redeemable units are redeemable on demand. However, the Manager does not expect that the contractual maturity disclosed below will be representative of the actual cash outflows as holders of the redeemable units typically retain them for a longer period.

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
As at December 31, 2017					
Liabilities					
Accrued management fees	\$ -	\$ 371,016	\$ -	\$ -	\$ 371,016
Due to broker	-	898,742	-	-	898,742
Redemptions payable	-	333,466	-	-	333,466
Redeemable units	228,075,725	-	-	-	228,075,725

	On demand	Less than 3 months	3 - 12 months	More than 12 months	Total
As at December 31, 2016					
Liabilities					
Accrued management fees	\$ -	270,046	\$ -	\$ -	\$ 270,046
Accrued performance fees	-	611,301	-	-	611,301
Redemptions payable	-	45,700	-	-	45,700
Redeemable units	175,131,547	-	-	-	175,131,547

(f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

Portfolio by Category	Percentage of Net Assets (%)	
	As at	As at
	December 31, 2017	December 31, 2016
Bonds - Corporate Bonds	0.15	0.61
Stocks - Consumer Discretionary	5.70	10.97
Stocks - Energy	35.41	25.16
Stocks - Financials	11.87	23.34
Stocks - Health Care	0.22	-
Stocks - Industrial	6.63	3.22
Stocks - Information Technology	8.50	10.89
Stocks - Materials	31.46	25.52
Call Options	-	0.49
Cash	0.10	0.20
Other Assets, Less Liabilities	(0.04)	(0.40)
	100.00	100.00

Vertex Value Fund
Notes to Financial Statements
December 31, 2017

13. Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2017 and December 31, 2016 is calculated as follows:

Class B	December 31, 2017	December 31, 2016
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 3,485,350	\$ 20,635,084
Weighted average units outstanding during the year	2,913,837	2,887,713
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$ 1.20	\$ 7.15

Class F	December 31, 2017	December 31, 2016
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 8,066,092	\$ 27,317,590
Weighted average units outstanding during the year	4,575,964	3,456,963
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$ 1.76	\$ 7.90