

MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2017

VERTEX VALUE FUND

Active | Unconstrained | Opportunistic | Absolute



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-866-681-5787, by writing to us at:

Vertex One Asset Management Inc.
Suite 3200 – 1021 West Hastings Street
Vancouver, BC
V6E 0C3

or by visiting our website at

www.vertexone.com

or

SEDAR at www.sedar.com

Securityholders may also contact us using one of these methods to request a copy of the investments fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION AND FUND PERFORMANCE

Investment Objective and Strategies

The Fundamental investment objective of the Vertex Value Fund (the “Fund”) is to provide long term capital growth by investing primarily in equity securities of Canadian and United States companies. The Fund may also invest in international companies if the opportunities arise. To achieve the Fund’s investment objective, the Fund primarily seeks out companies deemed to be trading at attractive levels relative to the general market, their competitors and their growth rates. A strong emphasis is placed on companies with annuity like cash flows, strong balance sheets and high dividend yields.

Further to the primary objective the Fund may also:

- Write covered call options when premiums are attractive
- Sell put options when premiums are attractive
- Invest in securities convertible into equity securities

The Fund was created on September 14, 2009 and commenced operations on September 21, 2009.

Risks

The risks remain as disclosed in current prospectus. The Fund is exposed to the risk of a political situation causing the markets to drop or a change in legislation that affects an investment. Specifically, legislation or market events negatively affecting the financial or insurance industries of North America would affect the portfolio. Similarly, any legislation or market events that negatively impact the paper and forestry industry in North America would be a risk to the Fund.

The Fund has an increased exposure to currency risk because it does not engage in significant currency hedging. The result is that fluctuations in the US Dollar can affect returns in either a positive or negative manner proportional to the Fund’s foreign exposure.

The Fund does not take part in any short selling.

Results of Operation

The Fund ended the year of 2017 with returns of 5.40% for Class B shares and 6.33% for Class F shares.

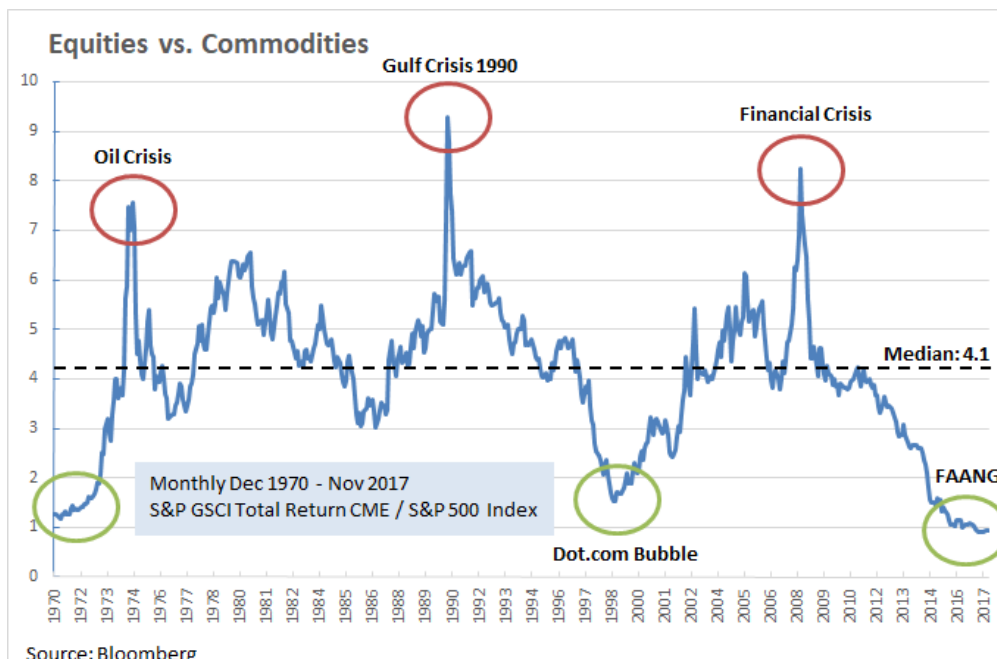
2017 was another good year for your Vertex Value Fund – not just from a return perspective but from the plethora of excellent investment choices available. We have highlighted in prior letters the rising risks in comfortable investing – owning what your neighbor owns - BIG tech, blue-chip index stocks, government and A-rated Corporate bonds. Resulting from this passive approach to investing, thousands of smaller company’s stocks have been ditched, further propping up “market” valuations. Even in the smaller stock arena, action has been dominated by cannabis stocks and companies with names including “Blockchain”, or should I say pseudo-companies with some coders. Don’t get me wrong – we’re fans of the potential for Blockchain technology. Your fund’s top performing stock for 2017 was Overstock.com, which is heavily into Blockchain and rose from \$15 to \$75 a share. That

said, it’s amazing how fast the Rounders and Charlatans get in on the action to offer unsuspecting investors “product” to supply their get-rich-quick addiction.

The second half of 2017 was a transition period. Serendipity smiled upon us as Schnitzer Steel, Bank of Internet, forestry stocks (Canfor, Interfor, Conifex, Western Forest) and our “Internet of Things” holdings all rose in price. This allowed us to harvest some profit from these holdings in favour of the most inexpensive energy investments in a generation. The icing on the cake has been watching short sellers of Bank of Internet (Bofl) stock get handed their shorts, deservedly. The distortions and claims these nefarious characters espoused were patently false and I’ve had to answer to each and every ridiculous article over the past three years. What’s even sweeter is they still have a truck load of stock to buy back as Bofl continues to hit new highs, delightful. Bofi remains our top holding.

With a weighting over 35% in energy-related investments, your fund is well positioned for the next 3-to-5 years. It’s simply a matter of patience to allow our current investment mix to work for us. In fact, there is so little interest in energy today that it has become a classic asymmetric investment. Our stance is that there’s very little downside and potentially massive upside; similar to what forest products looked like after the housing crash. For a great example, Surge Energy (5.5% dividend yield) was priced at around \$2 when oil was at \$42. Oil is now \$61 and Surge Energy is priced at \$1.70. We’ve been buying Pine Cliff Energy at 30 cents (high of \$2 in 2014) Ikkuma Resources at 33 cents (high of \$6 in 2014), Painted Pony Energy at \$1.85 (high of \$14 in 2014). The list goes on and on, crazy stuff. There simply are no buyers for these stocks. Where are all the “peak oilers” and analysts that were calling for \$200 oil? The answer is, they’ll be back and when this happens, these stocks will trade 5X higher. This is the gift of a career.

We still like our forestry stocks and copper too. There have been a few charts making the email circuit lately depicting commodities relative to the S&P 500 being at the lowest level since pre-1970. The following is one chart, as an example.



This relationship suggests that the safer place to be is in commodity-related stocks. When these extremes in valuations breakdown, tectonic shifts are the outcome. Nailing the timing of such a change is always a challenge, so as investors it's more rewarding for your wallet to focus on the outcome when deploying capital. When sentiment turns it can be as violent to the upside initially, as the original collapse was. Thus far, energy stocks have been slow to react to rising oil prices. So instead of trying to time the inflection point, we find comfort knowing we own our seat when liftoff occurs. Furthermore, the longer oil remains at current prices (or higher) and cash continues to flow to these companies' bottom lines, the more loaded the spring becomes.

There have been no material changes to the management of the fund.

Basis of presentation and adoption of IFRS

The Fund's financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board ("IASB").

Related Party Transactions

During the year ended December 31, 2017, the Fund incurred management fees of \$3,001,436 payable to the manager, Vertex One Asset Management Inc. There was \$2,237,592 of performance fee paid by the Fund during the year.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the years ending December 31,

The Fund's Net Assets per Unit ⁽³⁾

Class B	2017	2016	2015	2014	2013
Net Assets, beginning of year ⁽¹⁾	\$26.62	\$19.01	\$22.06	\$20.04	\$14.17
Increase (decrease) from operations:					
Total revenue	0.19	0.25	0.31	0.34	0.27
Total expenses	(0.96)	(0.54)	(0.58)	(0.71)	(0.86)
Realized gains (losses) for the year	2.84	1.62	1.91	0.32	0.91
Unrealized gains (losses) for the year	(0.87)	5.81	(3.60)	1.95	5.69
Total increase (decrease) from operations ⁽¹⁾	1.20	7.14	(1.96)	1.90	6.01
Distributions :					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	0.50	-	1.08	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽¹⁾⁽²⁾	0.50	-	1.08	-	-
Net Assets, end of year	\$27.54	\$26.62	\$19.01	\$22.06	\$20.04

Class F	2017	2016	2015	2014	2013
Net Assets, beginning of year ⁽¹⁾	\$27.56	\$19.59	\$22.62	\$20.33	\$14.24
Increase (decrease) from operations:					
Total revenue	0.19	0.27	0.32	0.34	0.28
Total expenses	(0.71)	(0.51)	(0.36)	(0.48)	(0.75)
Realized gains (losses) for the year	2.95	1.69	1.96	0.33	0.91
Unrealized gains (losses) for the year	(0.67)	6.46	(3.82)	2.08	5.82
Total increase (decrease) from operations ⁽¹⁾	1.76	7.91	(1.90)	2.27	6.26
Distributions :					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	0.94	-	1.23	-	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽¹⁾⁽²⁾	0.94	-	1.23	-	-
Net Assets, end of year	\$28.32	\$27.56	\$19.59	\$22.62	\$20.33

- (1) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.
- (2) Distributions were paid in cash/reinvested in additional units of the Fund, or both.
- (3) This information is derived from the Fund's audited annual financial statements. The net assets presented in the financial statements may differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences, if any, is disclosed in Note 2 of the notes to the financial statements.
- (4) For financial years beginning on or after January 1, 2013, the financial highlights are derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards. The December 31, 2013 information has been restated for comparison purposes only. For financial years prior to 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with previous Canadian generally accepted accounting principles.

Ratios and Supplemental Data ⁽⁵⁾

Class B	2017	2016	2015	2014	2013
Total net asset value (\$ 000's) ⁽¹⁾	79,263	73,358	59,866	76,960	57,898
Number of units outstanding ⁽¹⁾	2,877,671	2,755,416	3,148,583	3,487,960	2,888,760
Management expense ratio (%) ⁽²⁾	3.46	2.49	2.41	3.13	4.64
Management expense ratio before waivers/absorptions (%)	3.46	2.49	2.41	3.13	4.64
Portfolio turnover rate (%) ⁽³⁾	31.62	23.74	46.59	22.52	17.53
Trading expense ratio (%) ⁽⁴⁾	0.16	0.10	0.17	0.15	0.20
Net asset value per unit (\$)	27.54	26.62	19.01	22.06	20.04

Class F	2017	2016	2015	2014	2013
Total net asset value (\$ 000's) ⁽¹⁾	148,813	101,774	70,966	86,631	50,547

Number of units outstanding ⁽¹⁾	5,254,270	3,693,068	3,622,878	3,829,930	2,486,162
Management expense ratio (%) ⁽²⁾	2.40	2.25	1.31	2.01	3.96
Management expense ratio before waivers/absorptions (%)	2.40	2.25	1.31	2.01	3.96
Portfolio turnover rate (%) ⁽³⁾	31.62	23.74	46.59	22.52	17.53
Trading expense ratio (%) ⁽⁴⁾	0.16	0.10	0.17	0.15	0.20
Net asset value per unit (\$)	28.32	27.56	19.59	22.62	20.33

- (1) The information is provided as at December 31 of the year shown.
- (2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.
- (3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.
- (5) This information is derived from the Fund's audited annual financial statements. The net assets presented in the financial statements may differ from the net asset value calculated for Fund pricing purposes. An explanation of these differences, if any, is disclosed in Note 2 of the notes to the financial statements.
- (6) For financial years beginning on or after January 1, 2013, and the immediately preceding financial year, the financial highlights are derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards. The December 31, 2013 information has been restated for comparison purposes only. For financial years prior to 2013, the financial highlights were derived from the Fund's financial statements prepared in accordance with previous Canadian generally accepted accounting principles.

Management Fees

In consideration of the services provided by Vertex One Asset Management Inc, the Fund pays Vertex One Asset Management Inc a management fee, monthly in arrears, and calculated daily, on each business day, as a percentage of the net asset value of each class of Units that comprise the Fund.

The management fee may vary from Class to Class and will be deducted as an expense of the Class in the calculation of the net profits of such Class. The management fee for each of the existing classes of Units is as follows:

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

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

The Fund received services in consideration of the management fees as follows:

Services Provided	Class B	Class F
Distribution related costs	62.50%	0.00%
Portfolio Advisor and Management Services	37.50%	100.00%

Performance Fees

The Fund will pay to Vertex One Asset Management Inc. a performance fee in relation to each class of Units that is equal to 20% of the amount by which the total return of the Units exceeds the total percentage increase or decrease of the following benchmarks having the following components, for the year 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)

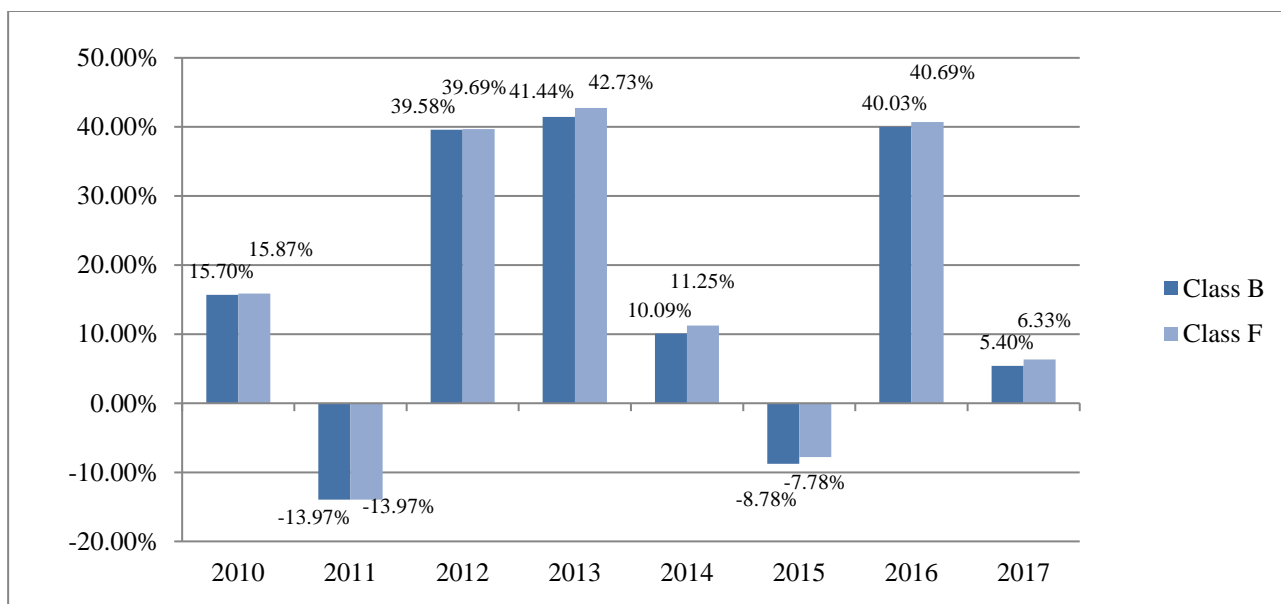
If at any time the performance of a Class is less than its benchmark, then no performance fee will be payable until the performance of such Class relative to its benchmark has exceeded the amount of the deficiency.

PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the years shown were reinvested in additional securities of the Fund. Note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following chart shows the performance of the Fund for the seven-year period December 2010 to 2017. The charts show you the Fund's annual historical return and how it changes each year. Annual return is the percentage change in the value of an investment from January 1 to December 31, unless otherwise noted. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year. The returns are cumulative and include all distributions.



The following table illustrates the annual compound total return for Class B and F units of the Fund for the years shown. As a basis of performance comparison, the annual compound return of the Fund is compared to that of its benchmark consisting of 50% S&P/TSX Composite Total Return + 50% S&P TRI \$CAD. Since the Fund does not necessarily invest in the same securities or in the same proportion as the Index, the performance of the Fund is not expected to equal the performance of the Index.

	1-Year	3-Year	Inception
Value Fund Class B	5.40%	10.42%	14.41%
Value Fund Class F	6.33%	11.32%	15.07%
Benchmark	13.70%	10.88%	12.37%

The Fund was created on September 14, 2009 and commenced operations on September 21, 2009. Return since the commencement date of operation is not an annualized number.

During the year ended December 31, 2016, your investment in the Fund experienced a return below that of the Index noted in the above table for the 1-year and Class B 3-year period. However, the Fund experienced a return above that of the index for 1-year, Class F 3-year period and since the Fund’s inception. Performance will vary by class largely due to the extent that fees and expenses may differ between classes. Index returns are displayed for references purposes only and are not meant to be a proxy for the returns of the Fund. The Fund does not aim to replicate the composition of either Index and as such its performance may differ.

Summary of Investment Portfolio

The major portfolio categories and top holdings (up to 25) of the Fund at the end of the year are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at March 31, 201.

Top 25 Holdings	
Issuers	% of Net Asset Value
Bofl Holding Inc.	10.33%
Taseko Mines Ltd.	6.88%
Surge Energy Inc.	5.65%
Interfor Corp.	5.03%
Blackbird Energy Inc.	4.47%
Red Eagle Mining Corp.	3.51%
Century Communities Inc.	3.45%
Noble Corp. PLC	3.22%
Conifex Timber Inc.	3.16%
Northern Dynasty Minerals Ltd.	3.10%
Yangarra Resources Ltd.	2.90%
Trinidad Drilling Ltd.	2.79%
Copper Mountain Mining Corp.	2.64%
Western Forest Products Inc.	2.36%
Petroshale Inc.	2.25%
Beazer Homes USA Inc.	2.21%
CalAmp Corp.	2.05%
Canfor Corp.Qorvo Inc.	1.89%
Schnitzer Steel Industries Inc., Class 'A'MAG Silver Corp.	1.85%
Qorvo Inc.Century Communities Inc.	1.79%
Overstock.com Inc.Schnitzer Steel Industries Inc., Class 'A'	1.78%
Skyworks Solutions Inc.Regions Financial Corp.	1.78%
MAG Silver Corp.KeyCorp	1.57%
Transocean Ltd.Blackbird Energy Inc., Warrants (19May21)	1.53%
Patterson-UTI Energy Inc.	1.49%

Net Asset Value = \$228,075,725

The following chart sets out the sector allocations of the Fund's portfolio as at December 31, 2017.

