

MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2018

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 2018 with returns of -39.11% for Class B shares and -38.44% for Class F shares.

The past 12-month period appeared to be relatively uneventful until the fourth quarter of 2018. The perceived effects of eight interest rate increases over a two-year period, combined with the reduction of the U.S. Federal Reserve Board’s balance sheet, sparked a significant global equity sell-off. These were not new data points, but once paired with an unpredictable U.S.-China trade dispute, the markets experienced significant fear-driven equity selling. Globally, nearly all asset classes (over 90%) sold off in the most correlated market correction since 1901.

The past year saw a rapid rise of interest rates. With interest rates in the U.S. moving above 2.63% in the 10-year bond and 30-year rates rising above 3.0%, the long-term declining trend in interest rates that has been in place since the 1980s appears to have been broken. During the period,

global oil consumption hit 100 million barrels for the first time, which led to a strong macroeconomic environment for oil. Over the past two years, however, there have been double-digit declines in shares of energy sector companies.

Individual contributors to the Fund’s performance included holdings in computer company Unisys Corp. and resources company Prairie Provident Resources Inc. Exposure to oil and gas producers was the largest detractor from the Fund’s performance, led by holdings in Surge Energy Inc. and Blackbird Energy Inc. Allocation to the mining sub-sector also detracted from the Fund’s performance. Within the mining sub-sector, the largest detractors included Taseko Mines Ltd. and Northern Dynasty Minerals, Ltd.

Recent Developments

With near-term oil futures now trading at a 5% premium over the price of oil, it has had a significant effect on inventory numbers, depleting inventories on a global basis. Any upcoming shock to the system may result in higher oil prices more quickly. Given the price differential between Canadian and U.S. oil, and the various pipeline issues experienced by the industry over the past several years, Canadian energy sector companies have become some of the most efficient and cost-effective in the world. As such, the Portfolio Manager believes that Canadian energy sector stocks, particularly those held in the Fund, are poised to perform well in the future. Currently, the Fund holds approximately 44% of its portfolio within the energy sector.

Related Party Transactions

During the year ended December 31, 2018, the Fund incurred management fees of \$3,361,634 payable to the manager, Vertex One Asset Management Inc. No 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	2018	2017	2016	2015	2014
Net Assets, beginning of year ⁽¹⁾	\$27.54	\$26.62	\$19.01	\$22.06	\$20.04
Increase (decrease) from operations:					
Total revenue ⁽⁴⁾	0.20	0.19	0.25	0.31	0.34
Total expenses	(0.66)	(0.96)	(0.54)	(0.58)	(0.71)
Realized gains (losses) for the year	(1.39)	2.84	1.62	1.91	0.32
Unrealized gains (losses) for the year	(9.32)	(0.87)	5.81	(3.60)	1.95
Total increase (decrease) from operations ⁽¹⁾	(11.17)	1.20	7.14	(1.96)	1.90
Distributions :					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-

cont'd Class B	2018	2017	2016	2015	2014
From capital gains	-	0.50	-	1.08	-
Return of capital	-	-	-	-	-
Total annual distributions ⁽¹⁾⁽²⁾	-	0.50	-	1.08	-
Net Assets, end of year	\$16.77	\$27.54	\$26.62	\$19.01	\$22.06

Class F	2018	2017	2016	2015	2014
Net Assets, beginning of year ⁽¹⁾	\$28.32	\$27.56	\$19.59	\$22.62	\$20.33
Increase (decrease) from operations:					
Total revenue ⁽⁵⁾	0.21	0.19	0.27	0.32	0.34
Total expenses	(0.40)	(0.71)	(0.51)	(0.36)	(0.48)
Realized gains (losses) for the year	(1.43)	2.95	1.69	1.96	0.33
Unrealized gains (losses) for the year	(9.89)	(0.67)	6.46	(3.82)	2.08
Total increase (decrease) from operations ⁽¹⁾	(11.51)	1.76	7.91	(1.90)	2.27
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	\$17.44	\$28.32	\$27.56	\$19.59	\$22.62

⁽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 period.

⁽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 differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in Note 2 of the notes to the financial statements.

⁽⁴⁾ 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 convertible securities. As at December 31, 2018, the aggregate dollar value of portfolio securities lent and the collateral held under securities transactions were \$25,878,491 and \$27,391,010 respectively. Income earned from securities lending is included in securities lending income in the Statement of Operations.

Ratios and Supplemental Data

Class B	2018	2017	2016	2015	2014
Total net asset value (\$ 000's) ⁽¹⁾	49,409	79,263	73,358	59,866	76,960
Number of units outstanding ⁽¹⁾	2,945,589	2,877,671	2,755,416	3,148,583	3,487,960
Management expense ratio (%) ⁽²⁾	2.39	3.46	2.49	2.41	3.13
Management expense ratio before waivers/absorptions (%)	2.39	3.46	2.49	2.41	3.13

cont'd Class B	2018	2017	2016	2015	2014
Portfolio turnover rate (%) ⁽³⁾	34.40	31.62	23.74	46.59	22.52
Trading expense ratio (%) ⁽⁴⁾	0.16	0.16	0.10	0.17	0.15
Net asset value per unit (\$)	16.77	27.54	26.62	19.01	22.06

Class F	2018	2017	2016	2015	2014
Total net asset value (\$ 000's) ⁽¹⁾	93,993	148,813	101,774	70,966	86,631
Number of units outstanding ⁽¹⁾	5,390,462	5,254,270	3,693,068	3,622,878	3,829,930
Management expense ratio (%) ⁽²⁾	1.30	2.40	2.25	1.31	2.01
Management expense ratio before waivers/absorptions (%)	1.30	2.40	2.25	1.31	2.01
Portfolio turnover rate (%) ⁽³⁾	34.40	31.62	23.74	46.59	22.52
Trading expense ratio (%) ⁽⁴⁾	0.16	0.16	0.10	0.17	0.15
Net asset value per unit (\$)	17.44	28.32	27.56	19.59	22.62

⁽¹⁾ The information is provided as at December 31 of the period shown.

⁽²⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁽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 period.

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)

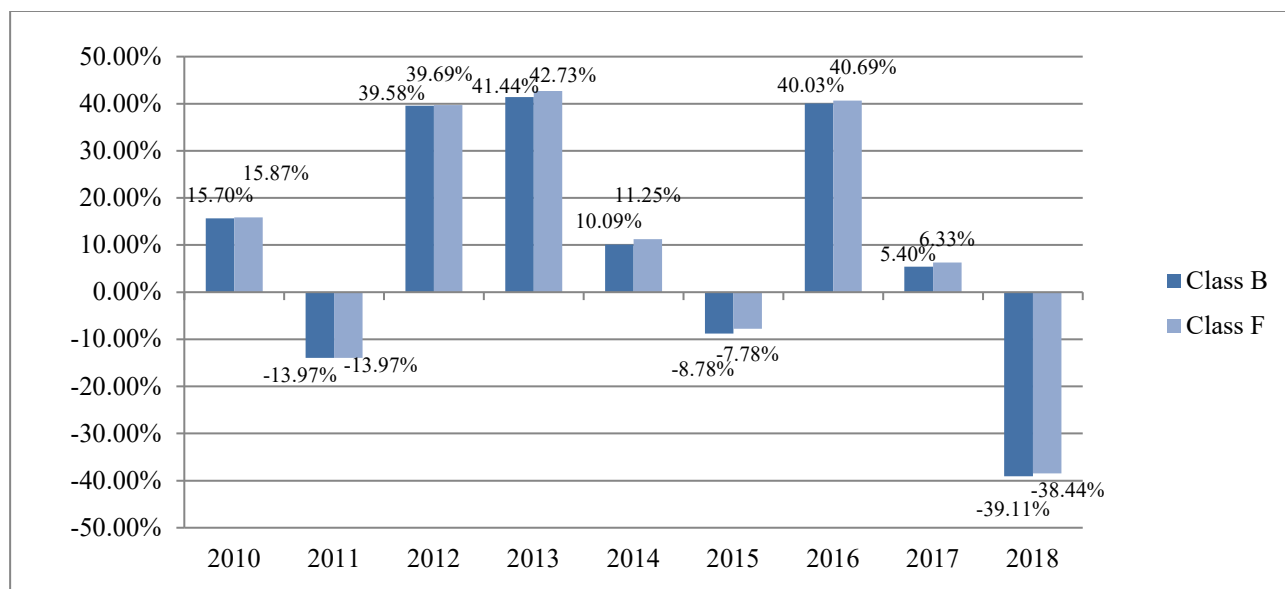
If at any time the performance of a Class is less than its benchmark, then no performance fee will be payable until the performance of such Class relative to its benchmark has exceeded the amount of the deficiency.

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 eight-year period December 2010 to 2018. 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	-39.11%	-3.50%	6.88%
Value Fund Class F	-38.44%	-2.71%	7.56%
Benchmark	-3.01%	7.98%	10.61%

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, 2018, your investment in the Fund experienced a return below that of the Index noted in the above table for the 1-year, 3-year period and since 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, 2019.

Top 25 Holdings	
Issuers	% of Net Asset Value
Axos Financial Inc.	6.18%
Surge Energy Inc.	4.49%
Blackbird Energy Inc.	4.29%
Unisys Corp.	3.84%
Flextronics International Ltd.	3.41%
Northern Dynasty Minerals Ltd.	3.29%
Petroshale Inc.	2.74%
Interfor Corp.	2.72%
Century Communities Inc.	2.70%
Taseko Mines Ltd.	2.55%
InPlay Oil Corp.	2.54%
Western Forest Products Inc.	2.43%
Yangarra Resources Ltd.	2.13%
Tidewater Midstream and Infrastructure Ltd.	2.09%
Noble Corp. PLC	2.03%
Painted Pony Energy Ltd.	1.98%
Qorvo Inc.	1.98%
Copper Mountain Mining Corp.	1.95%
Skyworks Solutions Inc.	1.88%
Ikkuma Resources Corp.	1.81%
Conifex Timber Inc.	1.74%
CalAmp Corp.	1.69%
Transocean Ltd.	1.59%
Pine Cliff Energy Ltd.	1.57%
Schnitzer Steel Industries Inc., Class 'A'	1.54%

Net Asset Value = \$143,402,407

The following chart sets out the sector allocations of the Fund's portfolio as at December 31, 2018.

