

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2018

**VERTEX VALUE FUND**

ACTIVE | UNCONSTRAINED | OPPORTUNISTIC | ABSOLUTE



This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim 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](http://www.vertexone.com)

or

SEDAR at [www.sedar.com](http://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

### Results of Operation and Recent Developments

For the first six months of 2018, the Vertex Value Fund Class B units returned 4.01% and Class F units returned 4.58%.

We continue to see the same behavior these past few years in the oil patch. With near term oil futures now trading at a 5 percent premium over the price of oil one year out, it has had a startling effect on inventory numbers. Traditionally, one could keep oil in a tanker and lock in a 5 percent gain by selling it one later, now, you pay a penalty for keeping oil in storage, which has depleted inventories on a global basis. Any shock to the system now will cause higher, faster oil prices. We have waited long enough in our portfolios, with our currently large 44 percent energy weight. We think the rewards are just around the corner.

There are no known changes, at this time, to the strategic positioning of the Fund, the Fund manager and the portfolio manager.

### Basis of presentation and adoption of IFRS

The Fund's interim financial statements has been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements, including International Accounting Standards (IAS 34), Interim Financial Reporting.

### Related Party Transactions

During the period ended June 30, 2018 the Fund did not incur performance fees, but did incur management fees of \$1,722,219. Certain directors and/or related parties of the Fund held 14.05% of the Fund's units at June 30, 2018.

## 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 past five years and for the interim period ended June 30, 2018.

### The Fund's Net Assets per Unit <sup>(3)</sup>

| Class B  | Jun 30/18 | Dec 31/17 | Dec 31/16 | Dec 31/15 | Dec 31/14 | Dec 31/13 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Assets, beginning of period <sup>(1)</sup> | \$27.54   | \$26.62   | \$19.01   | \$22.06   | \$20.04   | \$14.17   |
| Increase (decrease) from operations:           |           |           |           |           |           |           |
| Total revenue                                  | 0.08      | 0.19      | 0.25      | 0.31      | 0.34      | 0.27      |
| Total expenses                                 | (0.35)    | (0.96)    | (0.54)    | (0.58)    | (0.71)    | (0.86)    |
| Realized gains (losses) for the period         | 1.07      | 2.84      | 1.62      | 1.91      | 0.32      | 0.91      |
| Unrealized gains (losses) for the period       | 0.28      | (0.87)    | 5.81      | (3.60)    | 1.95      | 5.69      |

|   |                |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Total increase (decrease) from operations <sup>(1)</sup></b> | <b>1.08</b>    | <b>1.20</b>    | <b>7.14</b>    | <b>(1.96)</b>  | <b>1.90</b>    | <b>6.01</b>    |
| <b>Distributions:</b>   |                |                |                |                |                |                |
| From income (excluding dividends)                               | -              | -              | -              | -              | -              | -              |
| From dividends  | -              | -              | -              | -              | -              | -              |
| From capital gains  | -              | 0.50           | -              | 1.08           | -              | -              |
| Return of capital   | -              | -              | -              | -              | -              | -              |
| <b>Total annual distributions <sup>(1)(2)</sup></b>             | <b>-</b>       | <b>0.50</b>    | <b>-</b>       | <b>1.08</b>    | <b>-</b>       | <b>-</b>       |
| <b>Net Assets, end of period</b>                                | <b>\$28.65</b> | <b>\$27.54</b> | <b>\$26.62</b> | <b>\$19.01</b> | <b>\$22.06</b> | <b>\$20.04</b> |

| <b>Class F</b>  | <b>Jun 30/18</b> | <b>Dec 31/17</b> | <b>Dec 31/16</b> | <b>Dec 31/15</b> | <b>Dec 31/14</b> | <b>Dec 31/13</b> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Net Assets, beginning of period <sup>(1)</sup></b>           | <b>\$28.32</b>   | <b>\$27.56</b>   | <b>\$19.59</b>   | <b>\$22.62</b>   | <b>\$20.33</b>   | <b>\$14.24</b>   |
| <b>Increase (decrease) from operations:</b>                     |                  |                  |                  |                  |                  |                  |
| Total revenue   | 0.09             | 0.19             | 0.27             | 0.32             | 0.34             | 0.28             |
| Total expenses  | (0.21)           | (0.71)           | (0.51)           | (0.36)           | (0.48)           | (0.75)           |
| Realized gains (losses) for the period                          | 1.10             | 2.95             | 1.69             | 1.96             | 0.33             | 0.91             |
| Unrealized gains (losses) for the period                        | 0.37             | (0.67)           | 6.46             | (3.82)           | 2.08             | 5.82             |
| <b>Total increase (decrease) from operations <sup>(1)</sup></b> | <b>1.35</b>      | <b>1.76</b>      | <b>7.91</b>      | <b>(1.90)</b>    | <b>2.27</b>      | <b>6.26</b>      |
| <b>Distributions:</b>   |                  |                  |                  |                  |                  |                  |
| From income (excluding dividends)                               | -                | -                | -                | -                | -                | -                |
| From dividends  | -                | -                | -                | -                | -                | -                |
| From capital gains  | -                | 0.94             | -                | 1.23             | -                | -                |
| Return of capital   | -                | -                | -                | -                | -                | -                |
| <b>Total annual distributions <sup>(1)(2)</sup></b>             | <b>-</b>         | <b>0.94</b>      | <b>-</b>         | <b>1.23</b>      | <b>-</b>         | <b>-</b>         |
| <b>Net Assets, end of period</b>                                | <b>\$29.62</b>   | <b>\$28.32</b>   | <b>\$27.56</b>   | <b>\$19.59</b>   | <b>\$22.62</b>   | <b>\$20.33</b>   |

- (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) The net assets presented in the financial statements differ 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) Fund Commenced operations on September 21, 2009
- (5) 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

| <b>Class B</b>                                  | <b>Jun 30/18</b> | <b>Dec 31/17</b> | <b>Dec 31/16</b> | <b>Dec 31/15</b> | <b>Dec 31/14</b> | <b>Dec 31/13</b> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Total net asset value (\$ 000's) <sup>(1)</sup> | 87,930           | 79,263           | 73,358           | 59,866           | 76,960           | 57,898           |
| Number of units outstanding <sup>(1)</sup>      | 3,068,983        | 2,877,671        | 2,755,416        | 3,148,583        | 3,487,960        | 2,888,760        |
| Management expense ratio (%) <sup>(2)</sup>     | 2.41             | 3.46             | 2.49             | 2.41             | 3.13             | 4.64             |

|  |              |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Management expense ratio before waivers or absorptions (%) | 2.41         | 3.46         | 2.49         | 2.41         | 3.13         | 4.64         |
| Portfolio turnover rate (%) <sup>(3)</sup>                 | 7.75         | 31.62        | 23.74        | 46.59        | 22.52        | 17.53        |
| Trading expense ratio (%) <sup>(4)</sup>                   | 0.14         | 0.16         | 0.10         | 0.17         | 0.15         | 0.20         |
| Net asset value per unit (\$)                              | <b>28.65</b> | <b>27.54</b> | <b>26.62</b> | <b>19.01</b> | <b>22.06</b> | <b>20.04</b> |

| Class F  | Jun 30/18    | Dec 31/17    | Dec 31/16    | Dec 31/15    | Dec 31/14    | Dec 31/13    |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Total net asset value (\$ 000's) <sup>(1)</sup>            | 182,529      | 148,813      | 101,774      | 70,966       | 86,631       | 50,547       |
| Number of units outstanding <sup>(1)</sup>                 | 6,162,314    | 5,254,270    | 3,693,068    | 3,622,878    | 3,829,931    | 2,486,162    |
| Management expense ratio (%) <sup>(2)</sup>                | 1.32         | 2.40         | 2.25         | 1.31         | 2.01         | 3.96         |
| Management expense ratio before waivers or absorptions (%) | 1.32         | 2.40         | 2.25         | 1.31         | 2.01         | 3.96         |
| Portfolio turnover rate (%) <sup>(3)</sup>                 | 7.75         | 31.62        | 23.74        | 46.59        | 22.52        | 17.53        |
| Trading expense ratio (%) <sup>(4)</sup>                   | 0.14         | 0.16         | 0.10         | 0.17         | 0.15         | 0.20         |
| Net asset value per unit (\$)                              | <b>29.62</b> | <b>28.32</b> | <b>27.56</b> | <b>19.59</b> | <b>22.62</b> | <b>20.33</b> |

- (1) The information is provided as at June 30, 2018 and December 31 of the past five fiscal years, as applicable.
- (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 period.
- (5) The December 31 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, 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 a Fund.

The management fee may vary from Class to Class and will be deducted as an expense of the Fund in the calculation of the net profits of such Fund. 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                | 62.5%   | 0%      |
| Portfolio Advisor and Management Services | 37.50%  | 100%    |

### Performance Fees

The Fund will pay to Vertex One 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 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)

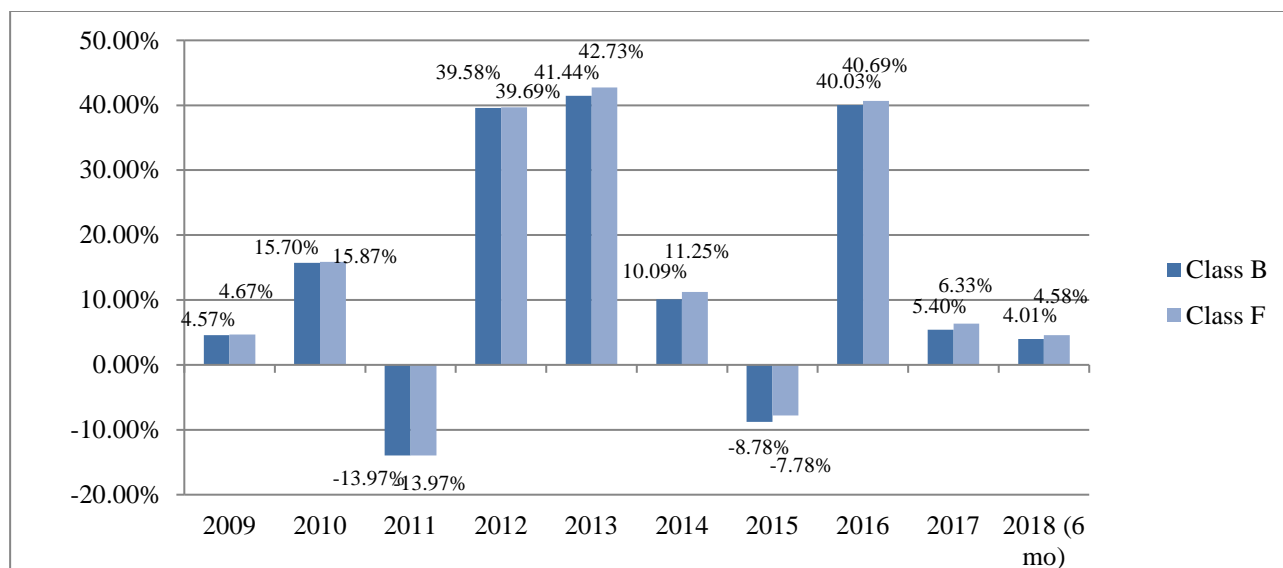
If at any time the performance of a Fund is less than its benchmark, then no performance fee will be payable until the performance of such Fund relative to its benchmark has exceeded the amount of the deficiency.

### PAST PERFORMANCE

The performance information shown assumes that all distributions made by the Fund in the periods 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 since it commenced operations on September 21, 2009 to June 30, 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.



\*2009 returns are since the commencement of operations date September 21, 2009. Also refer to footnote (5) under "The Fund's Net Assets per Unit" Section.

### Summary of Investment Portfolio

The major portfolio categories and top holdings (up to 25) of the Fund at the end of the period 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 September 30, 2018.

| Top 25 Holdings              |                      |
|------------------------------|----------------------|
| Issuers                      | % of Net Asset Value |
| Bofl Holding Inc.            | 10.65%               |
| Surge Energy Inc.            | 5.89%                |
| Blackbird Energy Inc.        | 4.59%                |
| Noble Corp. PLC              | 4.40%                |
| Interfor Corp.               | 3.88%                |
| Century Communities Inc.     | 3.40%                |
| Conifex Timber Inc.          | 3.21%                |
| Taseko Mines Ltd.            | 3.05%                |
| Yangarra Resources Ltd.      | 2.72%                |
| Unisys Corp.                 | 2.60%                |
| Trinidad Drilling Ltd.       | 2.58%                |
| InPlay Oil Corp.             | 2.53%                |
| Petroshale Inc.              | 2.29%                |
| REV Group Inc.               | 2.14%                |
| Painted Pony Energy Ltd.     | 2.09%                |
| Western Forest Products Inc. | 2.06%                |
| Copper Mountain Mining Corp. | 1.93%                |
| EnSCO PLC, Class 'A'         | 1.75%                |
| Transocean Ltd.              | 1.75%                |
| Canfor Corp.                 | 1.67%                |
| Red Eagle Mining Corp.       | 1.66%                |

|  |                      |
|--|----------------------|
| Schnitzer Steel Industries Inc., Class 'A' | 1.64%                |
| Qorvo Inc.                                 | 1.57%                |
| CalAmp Corp.                               | 1.55%                |
| Leucrotta Exploration Inc.                 | 1.54%                |
| <b>Total</b>                               | <b><u>73.14%</u></b> |

Net Asset Value = \$270,458,735

The following chart sets out the sector allocations of the Fund's portfolio as at June 30, 2018.

