

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2019

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

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

Results of Operation and Recent Developments

For the first six months of 2019, the Vertex Value Fund Class B units returned -10.86% and Class F units returned -10.39%.

Some of the largest detractors from performance came from the fund's energy holdings along with several US equities such as Kraft Heinz, Unisys and Newell Brands. Among the top contributors to performance over the period were Century Communities, that reported solid results over the quarter, Flextronics and Axos Financial. To meet the investment criteria of the new potential portfolio advisor, exposure to cyclical sectors such as energy, mining and forest products was reduced.

The S&P 500, the S&P TSX and even the price of a barrel of crude ended the first half of 2019 higher than where they began the year. We continue to see a trend toward passive investing which continues to bolster the major indices at the expense of smaller cap stocks. The relative underperformance of small cap companies is prevalent in the energy space. Not only do the share prices of many companies in this sector continue to underperform the price of crude, the most pronounced underperformance relates to the smaller cap energy companies regardless of value in many cases. Exposure of this nature worked against the fund over this period.

There were several developments to note during the first six months of 2019. In June of 2019, Matthew Wood, lead portfolio manager and founding partner of Vertex One Asset Management, announced his retirement. As of July 1, 2019 PenderFund Capital Management became the portfolio advisor for the Vertex Value Fund with David Barr, CFA and Felix Narhi, CFA serving as the primary portfolio managers for the fund. For the past few years, Vertex has been impressed by Pender's steadfast approach to income investing, as well as their impressive history. Their experienced investment team brings an established, dynamic approach to active management, along with a firm culture that is strongly aligned with the values and investment philosophy of Vertex One. Pender's existing value strategy involves the use of in-depth fundamental analysis to determine intrinsic value and investing when shares are trading at a price that represents a significant discount to value. In addition to the above developments, the fund received net redemptions over the period resulting in lower total net assets than at the start of 2019. There were several developments with regard to the Vertex One IRC. First, Larry Ward resigned effective December 31, 2018. As part of the IRC's established succession plan, he did not stand for re-appointment. Adam Conyers was appointed to the IRC as his replacement on Nov 1, 2018 for a period of three years with effect from January 1, 2019. Marie Rounding was appointed as Chair effective February 7, 2019.

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, 2019 the Fund did not incur performance fees, but did incur management fees of \$990,099. Certain directors and/or related parties of the Fund held 0.03% of the Fund's units at June 30, 2019.

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, 2019.

The Fund's Net Assets per Unit ⁽³⁾

Class B	Jun 30/19	Dec 31/18	Dec 31/17	Dec 31/16	Dec 31/15	Dec 31/14
Net Assets, beginning of period ⁽¹⁾	\$16.77	\$27.54	\$26.62	\$19.01	\$22.06	\$20.04
Increase (decrease) from operations:						
Total revenue ⁽⁵⁾	0.20	0.20	0.19	0.25	0.31	0.34
Total expenses	(0.28)	(0.66)	(0.96)	(0.54)	(0.58)	(0.71)
Realized gains (losses) for the period	(4.14)	(1.39)	2.84	1.62	1.91	0.32
Unrealized gains (losses) for the period	2.68	(9.32)	(0.87)	5.81	(3.60)	1.95
Total increase (decrease) from operations ⁽¹⁾	(1.54)	(11.17)	1.20	7.14	(1.96)	1.90
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	0.50	-	1.08	-
Return of capital	-	-	-	-	-	-
Total annual distributions ⁽²⁾	-	-	0.50	-	1.08	-
Net Assets, end of period	\$14.94	\$16.77	\$27.54	\$26.62	\$19.01	\$22.06

Class F	Jun 30/19	Dec 31/18	Dec 31/17	Dec 31/16	Dec 31/15	Dec 31/14
Net Assets, beginning of period ⁽¹⁾	\$17.44	\$28.32	\$27.56	\$19.59	\$22.62	\$20.33
Increase (decrease) from operations:						
Total revenue ⁽⁵⁾	0.21	0.21	0.19	0.27	0.32	0.34
Total expenses	(0.19)	(0.71)	(0.71)	(0.51)	(0.36)	(0.48)
Realized gains (losses) for the period	(4.32)	(1.43)	2.95	1.69	1.96	0.33
Unrealized gains (losses) for the period	2.70	(9.89)	(0.67)	6.46	(3.82)	2.08
Total increase (decrease) from operations ⁽¹⁾	(1.60)	(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 ⁽²⁾	-	-	0.94	-	1.23	-
Net Assets, end of period	\$15.61	\$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 Portfolio'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) Fund Commenced operations on September 21, 2009
- (5) 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 June 30, 2019, the aggregate dollar value of portfolio securities lent and the collateral held under securities transactions were \$2,964,075 and \$3,112,703 respectively. Income earned from securities lending is included in securities lending income in the Statement of Operations.
- (6) For financial years beginning on or after January 1, 2014, 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. 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

Class B	Jun 30/19	Dec 31/18	Dec 31/17	Dec 31/16	Dec 31/15	Dec 31/14
Total net asset value (\$ 000's) ⁽¹⁾	28,889	49,409	79,263	73,358	59,866	76,960
Number of units outstanding ⁽¹⁾	1,933,537	2,945,589	2,877,671	2,755,416	3,148,583	3,487,960
Management expense ratio (%) ⁽²⁾	2.51	2.39	3.46	2.49	2.41	3.13
Management expense ratio before waivers or absorptions (%)	2.51	2.39	3.46	2.49	2.41	3.13
Portfolio turnover rate (%) ⁽³⁾	35.54	34.40	31.62	23.74	46.59	22.52
Trading expense ratio (%) ⁽⁴⁾	0.50	0.16	0.16	0.10	0.17	0.15
Net asset value per unit (\$)	\$14.94	\$16.77	\$27.54	\$26.62	\$19.01	\$22.06

Class F	Jun 30/19	Dec 31/18	Dec 31/17	Dec 31/16	Dec 31/15	Dec 31/14
Total net asset value (\$ 000's) ⁽¹⁾	34,595	93,993	148,813	101,774	70,966	86,631
Number of units outstanding ⁽¹⁾	2,215,520	5,390,462	5,254,270	3,693,068	3,622,878	3,829,931
Management expense ratio (%) ⁽²⁾	1.43	1.30	2.40	2.25	1.31	2.01

Management expense ratio before waivers or absorptions (%)	1.43	1.30	2.40	2.25	1.31	2.01
Portfolio turnover rate (%) ⁽³⁾	35.54	34.40	31.62	23.74	46.59	22.52
Trading expense ratio (%) ⁽⁴⁾	0.50	0.16	0.16	0.10	0.17	0.15
Net asset value per unit (\$)	\$15.61	\$17.44	\$28.32	\$27.56	\$19.59	\$22.62

- (1) The information is provided as at December 31 of the period shown, except for June 30, 2019.
- (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 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)

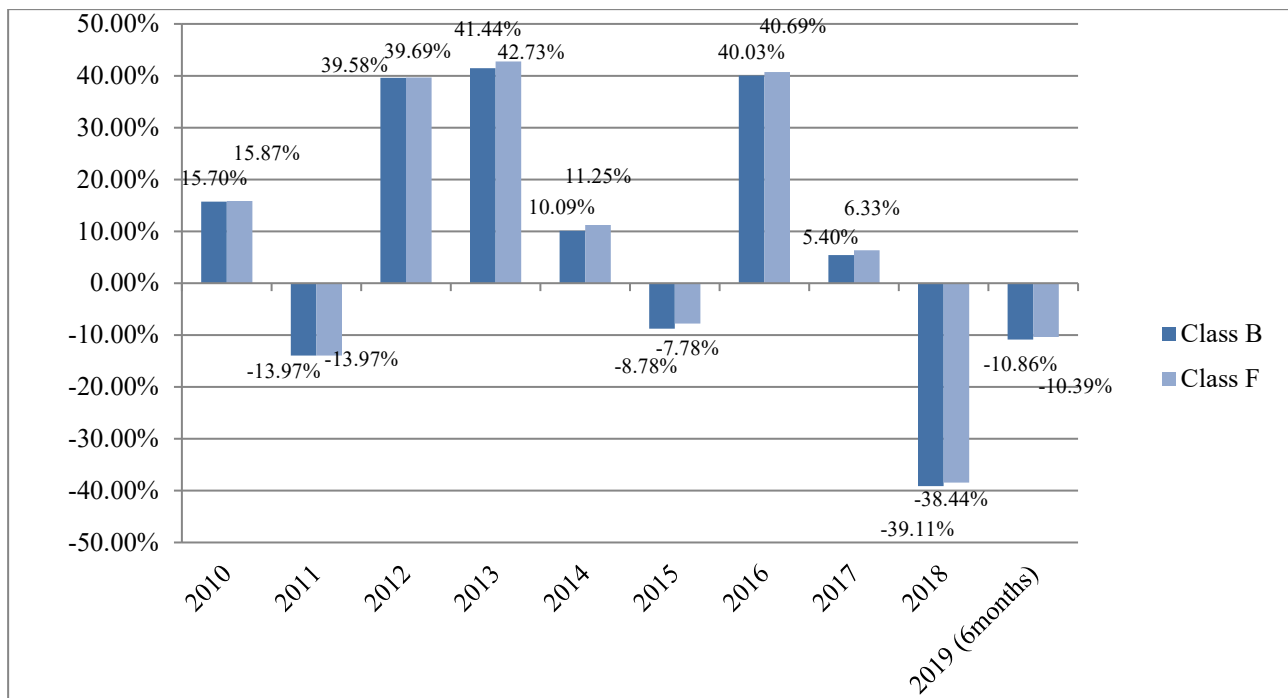
If at any time the performance of a Fund is less than its benchmark, then no performance fee will be payable until the performance of such Fund relative to its benchmark has exceeded the amount of the deficiency.

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, 2019. 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, 2019.

Top 25 Holdings	
Issuers	% of Net Asset Value
Cash and Cash Equivalents	49.94%
Century Communities Inc.	5.36%
Petroshale Inc.	5.19%
Surge Energy Inc.	3.93%
Taseko Mines Ltd.	3.80%
Pipestone Energy Corp.	3.45%
InPlay Oil Corp.	2.54%
Flextronics International Ltd.	1.77%
Pine Cliff Energy Ltd.	1.73%
Copper Mountain Mining Corp.	1.62%
Manulife Financial Corp.	1.50%
Brookfield Property Partners L.P.	1.49%
Conifex Timber Inc.	1.47%
Northern Dynasty Minerals Ltd.	1.44%
Yangarra Resources Ltd.	1.24%
Western Forest Products Inc.	1.21%
Newell Brands Inc.	1.19%
Axos Financial Inc.	1.18%
Kraft Heinz Co. (The)	1.18%
M.D.C. Holdings Inc.	1.18%
Source Energy Services Ltd.	1.03%
Skyworks Solutions Inc.	0.96%
Qorvo Inc.	0.93%
Gilead Sciences Inc.	0.92%
Lincoln National Corp.	0.92%
	Total
	<u>97.05%</u>

Net Asset Value = \$63,483,588

The following chart sets out the sector allocations of the Fund's portfolio as at June 30, 2019.

