

VERTEX VALUE FUND

Second Quarter Report, 2014

Gentlemen Prefer Lumber

Pretty much nothing happened this quarter. Some stocks went up, others went down. All the while the USD dropped, leaving us roughly flat. That said, there's little to discuss other than geopolitical events which could get us worked up, but then again, hindsight has taught us reacting to these will be detrimental to returns.

Oil, gold and the CAD\$ rallied on fear of the Fed and/or Middle East tensions. But seriously though, gentlemen prefer lumber. True, we did make mention of gold looking interesting in our previous report, but haven't executed on that notion. Although the trade looks good, others still look better. Lumber is straightforward, no fear attached. Just plain old supply and demand drive it. Few are concerned about how geopolitics will affect the price of lumber; so few in fact that forest stocks are barely represented in any market indices. It is time to reiterate the basic rationale for why lumber, timber, and fiber investments are well represented in your fund. It simply *is* a good place to be. Housing starts went from over 2 million in 2008 to 450 thousand in 2010 and are now roughly 1 million. Housing will rise back to 2008 levels at some point prior to 2020. China, the pine beetle, green fuel, increasing penetration of wood as a building material globally, industrial and packaging demand and finally bigger homes are eating away at supply. Yes, bigger homes. During the downturn, a theory emerged that austerity would prevail and although housing would return to normal one day, less wood would be consumed as smaller homes would be built. This isn't happening. When was the last time you moved into a smaller home? Exactly! Of course people want a bigger home than their neighbour, parents and friends. It's in our DNA. Couple this demand with constrained supply and we have odds highly stacked in favour of rising lumber prices. Add in the fact that modern sawmills are some of the most technologically advanced manufacturing facilities on earth and can generate decent profits at moderate lumber prices, the trade becomes very compelling. Further, few investors are in lumber. Thus, it's not crowded and therefore safer in the event investors want out.

Notwithstanding the last paragraph, forest stocks were our worst performer - down on average around 25%. Fortunately, recent additions of Copper Mountain and Taseko Mines as well as performance from electronics and reinsurance kept us from dipping deep into the red, even with strong currency headwinds.

Looking forward, we will religiously sell stocks as they get above market price-to-value and replace them with those less expensive. We will be patient with these new investments and wait for value to be realized, then rinse and repeat. There's no stop losses, no charts, no momentum, no sector rotation, no algorithm, no worries about high frequency trading - no worries, period.

So no worries mate, talk again in September...

PERFORMANCE (Class B shares as at June 30, 2014)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	2 Year⁺	3 Year⁺	Since Inception
\$21.3535	0.90%	0.43%	6.54%	26.41%	37.11%	23.14%	17.59%

⁺annualized return

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Value Fund on June 30, 2014 are:

Conifex Timber Inc.	Copper Mountain
International Forest Products	Montpelier Re
Jabil Circuit	Goodyear Tire and Rubber Co.
RF Micro Devices	Unisys Corp.
Banco Santander	Celestica Inc.
Synovus Financial	Hovnanian Enterprises
Skyworks Solutions	Beazer Homes
Genworth Financial	Wellcare Health
PartnerRE	Taseko Mines
Xerox Corp.	Hercules Offshore Inc.

This statistical information is intended to provide you with information about the Vertex Value Fund. Important information about the Fund is contained in the Simplified Prospectus which should be read carefully before investing. You can obtain a prospectus from Vertex One Asset Management Inc. The Simplified Prospectus for Vertex One Asset Management Inc.'s Investment Funds does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. The funds are not guaranteed; their values change frequently and past performance may not be repeated.