

VERTEX VALUE FUND

Fourth Quarter Report, 2016

The year came and went. Stocks went down and then up more than they went down. As is the way, predictions were made (almost all wrong) and then once the future showed up, quick explanations were made as to what happened and why. This was followed by a whole new slew of predictions. In short, it was business as usual for the market.

With that out of the way, the future is without a doubt unfolding rapidly before our eyes. Digital currencies, autonomous automobiles, autonomous mining, autonomous farming...use your imagination. Behind the scenes, there's blockchain (the rail bitcoin travels on), The Internet of Things, Telematics and The Internet of Machines. Combine blockchain's distributed ledgers with The Internet of Machines and machine to machine communication, sprinkle some algorithms and a little artificial intelligence on top and it's not hard to imagine a world without jobs...at least in the traditional sense we're used to and it's happening at speeds unimaginable until recently.

From an investment perspective, this is all pretty exciting. There are whole new areas in which to invest and savvy companies in older industries are taking advantage of new technologies to produce their products in a more efficient, cleaner, sustainable and socially responsible way. There will be a lot of neurosis as our economy transforms. For example, we'll need a boatload of copper for all those battery-powered vehicles as well as many other metals that don't grow on trees. It takes a lot of energy to power the electrification of our world. Anyway, that's a long way to say, we like our copper investments and will likely be possessing them for a considerable time. Most interesting to us is, unlike the previous technology craze, some of the leading and most interesting companies providing solutions for the future are also very reasonably priced...I'd even say *value priced*. Most are trading at around 13 times earnings vs "the market" at around 23 times and bonds at over 50 times! Our horses in this race are: Jabil and Flextronics (electronic manufacturers), Skyworks and Qorvo (Internet of Things), Overstock.com (blockchain) and Calamp (Telematics and The Internet of Machines).

It's odd to write a report where one's holdings range from technology to mining and lumber, but that's where we're at today. We are also admittedly kind of odd so, makes sense. With regard to lumber, my contrarian senses say these stocks are going to perform very well. They're all in the penalty box resulting from fears over recent softwood lumber agreement (SLA) negotiations. Most are trading near 50% discounts to highs reached prior to SLA negotiations. People dislike uncertainty and thus any resolution will remove uncertainty and drive prices higher. Most importantly though...demand keeps rising and with mills closing due to pine beetle destruction, supply remains constrained. This will likely result in much higher lumber prices with a large percentage of the duties being passed on to consumers.

Our second largest holding - Bank of Internet - continues to perform very well. Quarter after quarter, the company delivers excellent results despite anonymous stock manipulators being unobstructed by regulators to ply their nefarious trade. Regardless, we will not sell one share thereby allowing them to cover and I would beseech every other shareholder who might stumble upon this letter to do the same.

It would be an oversight not to mention our investments in energy. This sector is in the first stages of a multiyear recovery off one of the worst downturns in decades. Notwithstanding, a conflicting thesis that global economies are transforming and will require less oil eventually, in the near term, there's little doubt, we'll end up with a shortage soon enough. Additionally, natural gas still heats our homes and provides many of the electrons finding their way into an electric vehicles' battery. Our British Columbia and Alberta

Montney producers are some of the most efficient and can earn a decent return on invested capital at today's prices. Any price rise in the commodity is simply a bonus. These Montney companies include, Blackbird Energy, Painted Pony, Leucrotta, and Kelt Exploration. Also, we've made a commitment to energy services firms as they'll certainly be beneficiaries as this industry recovers from 3 years of relentless punishment.

Finally, we're pretty happy with our current portfolio mix and we look forward to another exciting year in the capital markets... hopefully upward excitement... we don't like the other kind any more than you do.

Until next quarter, thank you for your continued support. There was no distribution at year-end.

PERFORMANCE (Class F shares as at December 31, 2016)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year ⁺	5 Year ⁺	Since Inception ⁺
\$27.5588	4.70%	19.51%	40.69%	40.69%	13.01%	23.54%	16.31%

Net of all fees and includes reinvested distributions.

⁺annualized returns

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Value Fund on December 31, 2016 are:

BOFI HOLDING INC (US)	COPPER MOUNTAIN (CN)
BLACKBIRD ENERGY (CN)	MAG SILVER CORP (CN)
TASEKO MINES (CN)	MDC HOLDINGS (US)
INTERNATIONL FOREST PRODUCTS (CN)	SKYWORKS SOLUTIONS (US)
JABIL CIRUCIT (US)	PATTERSON-UTI ENERGY (US)
NOBLE CORP (US)	BEAZER HOMES USA (US)
CENTURY COMMUNITIES (US)	QORVO INC (US)
RIO TINTO (US)	WESTERN FOREST PRODUCTS (CN)
SYNOVUS FINANCIAL (US)	ZIONS BANCORPORATION (US)
GOODYEAR TIRE & RUBBER (US)	PAINTED PONY PETROLEUM (CN)

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.