

VERTEX VALUE FUND

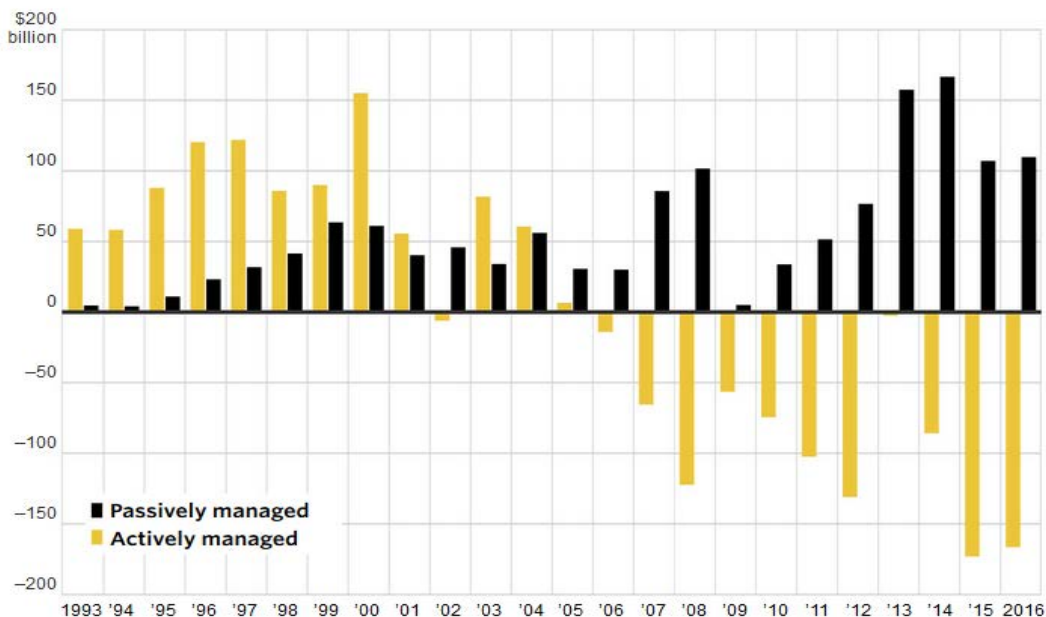
First Quarter Report, 2017

Future Headline: Is Passive Investing Dead?

Money continues to pour into the same, large stocks creating a self-fulfilling prophecy and an illusion of safe, smooth returns. There's no denying it works...until it doesn't. There's no price discovery in passive investing and thus larger and larger misallocations of capital occur. The silver lining here is a plethora of value has emerged as smaller, quality companies are completely ignored by "The Index". With this as a backdrop, our portfolio choices have trended towards smaller capitalization companies. The likely result is higher volatility, however, I'm confident it will lead to far greater returns and possibly even downside protection if "The Index" eventually runs out of steam. None of us know the future and it often surprises us in unexpected ways. Things have gotten so far out of whack and there are so few true investors remaining that, in short, investing has morphed into an administrative function at the banks. Like technology, the "nifty fifty", commodities...complacent, passive investing is just another belief system...another upside-down pyramid that will eventually tip over and crash under its own weight.

Actively Departing

Net flows of U.S. stock mutual and exchange-traded funds



Sources: The Wall Street Journal and Morningstar

Oil – where is the love? Seems like it was just yesterday when the world was running out of oil...now all we hear is: glut, glut, glut. This is my kind of language. We never owned oil when "peak" was consensus. With "glut" as consensus, we're investing. Sector allocations are not our focus...we're just buying the best, lowest-cost producers at extremely attractive valuations and it just happens to be the case that many companies fitting this bill today are in the energy sector. This follows a familiar pattern. We found attractive opportunities in forestry after the housing crash and insurance after large catastrophic events. Human behavior is amazingly consistent when it comes to investing, with this in mind, we added a 5% weight in Surge Energy, run by Paul Colborne. Paul is one of the largest shareholders of Surge and is continuously purchasing Surge stock. Just as we have with many other companies over the years, we are happy to partner with management teams who have large investments in their own companies.

One of our more interesting companies is Schnitzer Steel Industries. Schnitzer recycles and manufactures steel from scrap. Using recycled scrap steel in steel manufacturing, as opposed to using newly mined iron ore saves up to 65% in primary energy input and reduces water use by up to 91%. With more steel recycled each year than paper, aluminum, plastic and glass combined, this business has significance from a global perspective. The company currently trades at approximately half that of its peers, on a price-to-earnings and price-to-book basis, and pays a 4% dividend. They recently completed a multi-year cost cutting initiative that has resulted in \$160 million in savings and they have decreased net debt over the last two years from \$300 million to \$200 million. With cost cutting behind them and against a backdrop of improving macro-economic and industry indicators, their focus has shifted to growth and sales. Despite all this great news, the stock has languished - analysts have dropped coverage and fund managers have walked away...both resulting from its lack of relevance to...you guessed it: "The Index".

We highlighted Schnitzer as it's the posterchild when it comes to abandonment for the brighter lights of "index" and "passive" investing. The wonderful thing is that all these great companies have been left for us to own and at insanely inexpensive valuations. We hear incessant talk about the market being overvalued. It may or may not be, but I can assure you that thousands of companies are trading at price-to-value metrics not seen since the credit crisis. Hence, we are damn excited about returns over the next 5 years.

Your Fund is going to make so much money, people will think we cheated!

Until next quarter, thank you for your continued support.

PERFORMANCE (Class F shares as at March 31, 2017)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year ⁺	5 Year ⁺	Since Inception ⁺
\$28.5871	-2.93%	3.73%	3.73%	47.98%	12.08%	21.64%	16.30%

Net of all fees and includes reinvested distributions.

⁺annualized returns

THE PORTFOLIO

Top 20 holdings by weight in the Vertex Value Fund on March 31, 2017 are:

BOFI HOLDING INC (US)	BEAZER HOMES USA (US)
BLACKBIRD ENERGY (CN)	QORVO INC (US)
INTERNATIONAL FOREST PRODUCTS (CN)	WESTERN FOREST PRODUCTS (CN)
RED EAGLE MINING CORP (CN)	CALAMP CORP (US)
SURGE ENERGY INC.	NOBLE CORP (US)
TASEKO MINES LTD (CN)	MAG SILVER CORP (CN)
CENTURY COMMUNITIES (US)	YANGARRA RESOURCES (CN)
NORTHERN DYNASTY MINERALS (CN)	CONIFEX TIMBER (CN)
MDC HOLDINGS INC (US)	CANFOR CORP (CN)
SKYWORKS SOLUTIONS (US)	PATTERSON-UTI ENERGY (US)

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.