

VERTEX VALUE FUND

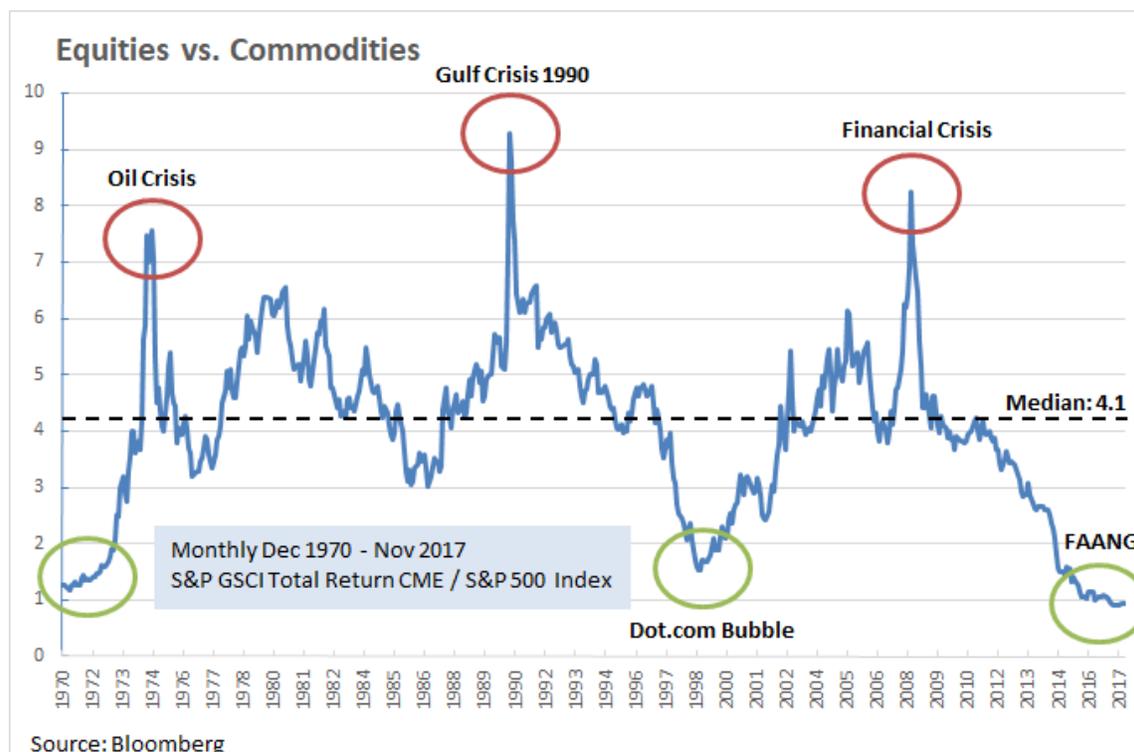
Fourth Quarter Report, 2017

2017 was another good year for your Vertex Value Fund – not just from a return perspective but from the plethora of excellent investment choices available. We have highlighted in prior letters the rising risks in comfortable investing – owning what your neighbor owns - BIG tech, blue-chip index stocks, government and A-rated Corporate bonds. Resulting from this passive approach to investing, thousands of smaller company's stocks have been ditched, further propping up "market" valuations. Even in the smaller stock arena, action has been dominated by cannabis stocks and companies with names including "Blockchain", or should I say pseudo-companies with some coders. Don't get me wrong – we're fans of the potential for Blockchain technology. Your fund's top performing stock for 2017 was Overstock.com, which is heavily into Blockchain and rose from \$15 to \$75 a share. That said, it's amazing how fast the Rounders and Charlatans get in on the action to offer unsuspecting investors "product" to supply their get-rich-quick addiction.

The second half of 2017 was a transition period. Serendipity smiled upon us as Schnitzer Steel, Bank of Internet, forestry stocks (Canfor, Interfor, Conifex, Western Forest) and our "Internet of Things" holdings all rose in price. This allowed us to harvest some profit from these holdings in favour of the most inexpensive energy investments in a generation. The icing on the cake has been watching short sellers of Bank of Internet (Bofl) stock get handed their shorts, deservedly. The distortions and claims these nefarious characters espoused were patently false and I've had to answer to each and every ridiculous article over the past three years. What's even sweeter is they still have a truck load of stock to buy back as Bofl continues to hit new highs, delightful. Bofi remains our top holding.

With a weighting over 35% in energy-related investments, your fund is well positioned for the next 3-to-5 years. It's simply a matter of patience to allow our current investment mix to work for us. In fact, there is so little interest in energy today that it has become a classic asymmetric investment. Our stance is that there's very little downside and potentially massive upside; similar to what forest products looked like after the housing crash. For a great example, Surge Energy (5.5% dividend yield) was priced at around \$2 when oil was at \$42. Oil is now \$61 and Surge Energy is priced at \$1.70. We've been buying Pine Cliff Energy at 30 cents (high of \$2 in 2014) Ikkuma Resources at 33 cents (high of \$6 in 2014), Painted Pony Energy at \$1.85 (high of \$14 in 2014). The list goes on and on, crazy stuff. There simply are no buyers for these stocks. Where are all the "peak oilers" and analysts that were calling for \$200 oil? The answer is, they'll be back and when this happens, these stocks will trade 5X higher. This is the gift of a career.

We still like our forestry stocks and copper too. There have been a few charts making the email circuit lately depicting commodities relative to the S&P 500 being at the lowest level since pre-1970. The following is one chart, as an example.



This relationship suggests that the safer place to be is in commodity-related stocks. When these extremes in valuations breakdown, tectonic shifts are the outcome. Nailing the timing of such a change is always a challenge, so as investors it's more rewarding for your wallet to focus on the outcome when deploying capital. When sentiment turns it can be as violent to the upside initially, as the original collapse was. Thus far, energy stocks have been slow to react to rising oil prices. So instead of trying to time the inflection point, we find comfort knowing we own our seat when liftoff occurs. Furthermore, the longer oil remains at current prices (or higher) and cash continues to flow to these companies' bottom lines, the more loaded the spring becomes.

As I'm writing this note in early February, the "market" has encountered a bit of a hiccup and found itself on the evening news, again. I'd like to reiterate, it's irrelevant to your investments, so far as its temporary marks on paper. Down markets are when active managers get to make the real money. Passive investments are shackled from seizing this opportunity. Not sure what other investors are doing, but we've been using this volatility to trim our positions trading at all-time highs (Qorvo, Overstock.com, Calamp, and Bofl) to purchase more junior energy (trading at all-time lows). An investment horizon is years, not days or months. Nothing has structurally changed to the prospects of the businesses your fund owns. I'll go out on a limb here and suggest the largest handicap most investors contend with is spending the lion's share of their intellectual capacity dedicated to the "market". If you're going to turn on the TV or stream CNBC and BNN, just have a good laugh. It's a cross between a play-by-play of the Superbowl and the Kardashians! Rest assured, we're at our desks plucking through this blue-light special for value stocks, flickering away on the screen.

As always please reach out to us with any questions or concerns and we thank you for your continued support.

PERFORMANCE Net of all fees and includes reinvested distributions.

(Class A units as at December 31, 2017)

Net Asset Value	1 Month	3 Month	Year to Date	1 Year	3 Year⁺	5 Year⁺	Since Inception⁺
\$28.3239	0.75%	7.63%	6.33%	6.33%	11.32%	16.98%	15.07%

⁺annualized returns

TOP 20 PORTFOLIO HOLDINGS

BOFI HOLDING INC	TRINIDAD DRILLING LTD
INTERNATIONAL FOREST PRODUCTS	YANGARRA RESOURCES LTD
SURGE ENERGY INC	WESTERN FOREST PRODUCTS INC
TASEKO MINES LTD	INPLAY OIL CORP
BLACKBIRD ENERGY INC	COPPER MOUNTAIN MINING CORP
CONIFEX TIMBER INC	PETROSHALE INC
CENTURY COMMUNITIES	CANFOR CORP
RED EAGLE MINING CORP	QORVO INC
NOBLE CORP PLC	SKYWORKS SOLUTIONS INC
NORTHERN DYNASTY MINERALS LTD	SCHNITZER STEEL INDUSTRIES 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.