

## VERTEX VALUE FUND

Half Time (and a bit) Report, 2018

It is an interesting and challenging time to be an investor. A couple hundred stocks have gone up a lot and I mean by \$trillions while thousands of stocks have languished or fallen. When I hear commentators talk about the market, I can only laugh as it is not remotely representative of what's really transpired. The market as represented by the index, is only an indication of "group-think" gone wild as more and more money pours into fewer and fewer stocks. On top of this extreme lack of breadth, we have the dope stocks in Canada that have absorbed tens of \$billions of capital. Constellation Brands investing \$billions in Canopy growth reminds me of Time Warner's purchase of America Online back in the heady dot-com days. As I see it, one can join 'em and buy the same stuff as the group and hope to experience market returns and then "time" your exit before the group...or not own these follow-the-leader stocks. Being an investor and not a speculator, my choice is the latter. I have no confidence in my or anyone else's ability to time a market exit.



With these *Nifty One-Fifty* and *FAANG* (Facebook, Amazon, Apple, Netflix, Google) group of U.S. stocks garnering all the attention and most of the globe's capital, thousands of stocks are trading at levels only available at extreme market bottoms. These stocks are our playground. Nothing is cheaper than energy and nothing is cheaper in energy than Canadian energy. With the "leaders" across this nation (provincially and federally) actively engaged in the willful destruction of the cleanest and most socially-responsible energy industry in the world, it has become a bonanza of a buyer's market. Yes, these same people buy oil from the Saudis and, no, you can't make this stupidity up.



To put value in perspective, just last week one of our holdings Ikkuma Resources engaged in a transaction valuing the company 180% higher than where IKM was previous-day trading in the market. Maybe, Amazon is worth 180% more, but for safety and upside I'll put our money on the Ikkuma's of this world all day long. Whether or not the Facebook and Netflix earnings selloffs are a harbinger or a hiccup is unknown. However, FAANG at a combined market cap of \$3.5 Trillion USD, will see growth opportunities

diminish. To put that market cap in perspective, FAANG represents 50% of the market cap of the Nasdaq 100 and 18% of the 2017 US GDP (the entire energy sector is only 6% (source: Statista)). When priced for perfection, anything less is a letdown...like a 20% haircut before your morning coffee:



I'm an optimist and a contrarian (which I suppose is contradictory in itself). As such, my prediction is that these anti-Canadian, so called leaders across this great nation, are going to get the boot and our Canadian energy holdings will become one of the most attractive investments in the world. To my eye, they all look like Ikkuma and are worth 2 to 3 times where they currently trade under this discount.

Outside of energy, many other sectors and stocks look inexpensive, this is a long game and we've no idea when value gets recognized by investors. Further, we've no idea when investors figure out they've all piled into the same stuff without regard to value. We do know from history that these things do get sorted out over time and when it happens, five and even ten years of investment returns can be banked or erased in short order. This is why we'll never own "the market".

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 June 29, 2018)

<b>Net Asset Value</b>	<b>1 Month</b>	<b>3 Month</b>	<b>Year to Date</b>	<b>1 Year</b>	<b>3 Year<sup>+</sup></b>	<b>5 Year<sup>+</sup></b>	<b>Since Inception<sup>+</sup></b>
\$29.6211	1.36%	8.50%	4.58%	22.46%	11.13%	13.85%	14.74%

<sup>+</sup>annualized returns

## TOP 20 PORTFOLIO HOLDINGS

BOFI HOLDING INC	REV GROUP
SURGE ENERGY INC.	INPLAY OIL
BLACKBIRD ENERGY INC.	WESTERN FOREST PRODUCTS
NOBLE CORP	COPPER MOUNTAIN MINING
UNISYS CORP	NORTHERN DYNASTY MINERALS
INTERNATIONAL FOREST PRODUCTS	ENSCO
CENTURY COMMUNITIES	CANFOR CORP
TRINIDAD DRILLING	QORVO INC
PAINTED PONY ENERGY	LEUCROTTA EXPLORATION
CONIFEX TIMBER	CALAMP CORP

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.