FORMULA GROWTH LIMITED

- Positive absolute return of 0.8% net during the quarter despite the strategy's average negative market exposure of 4.5% during the quarter;
- The strategy exhibited an annualized volatility of just 5.5% and a negative correlation compared to U.S. equity markets;
- Neutral posture will be maintained until significant changes arise to the U.S. outlook (positive or negative) or the Fed's stimulus package.

May 10, 2013

Formula Growth Alpha II Fund

1st Quarter 2013 Results

Dear Investors,

Quarterly Review

The stock market had a strong first quarter with the S&P 500 and Russell 2000 increasing 10.6% and 12.4% respectively. The US markets continued to rally fueled by the easy money policies of the central banks and hopes for a 2nd half acceleration in the world economy. During the quarter the fund chose to maintain a neutral posture with markets approaching all time highs, we felt and continue to feel that the risk reward equation is much more balanced than in prior quarters. As well, some downside risks appear to be forming should the much expected economic acceleration not materialize in the second half of 2013. For the quarter the fund generated a gross return of 1.3% and 0.8% net despite having an average negative net exposure for the quarter of -4.5%. We chose during the quarter to eliminate all market risk and sectoral exposures and focus on stock picking as evidenced by our negative correlation to the SP 500 of -0.9% as well as our annualized volatility well below that of the market at 5.5% vs. 10.3% for the S&P 500 and 12.3% for the Russell 2000.

We entered the quarter with a balanced view of the risk and reward available in the U.S. stock markets. On the positive side, an ever aggressive Fed continues to force investors into taking on additional risk as their traditional investment alternatives become less attractive in a low rate environment. This has resulted in an expansion of the earnings multiple across equity markets making many names less attractive on the long side due to less upside return potential. On the negative side, the exuberant equity

Relative Return Analysis

	Q1			Inception-to-Date		
	Alpha II	S&P500	R2000	Alpha II	S&P500	R2000
Statistical Analysis						
Period Gross Total Return (US$)	1.3%	10.6%	12.4%	29.0%	28.3%	30.8%
Annualized Deviation of Daily Returns	5.5%	10.3%	12.3%	8.1%	12.3%	16.3%
Sharpe Ratio	0.7	4.7	4.9	2.6	1.5	1.4
Correlation		(0.9%)	9.7%		45.0%	47.6%
Up Market Analysis						
Number of Up Days	35	37	39	180	169	160
Largest Daily Gain	0.7%	2.5%	2.8%	2.7%	2.5%	2.9%
Fund % Up Capture		(6.9%)	(1.3%)		39.9%	25.4%
Down Market Analysis						
Number of Down Days	25	23	21	130	141	150
Largest Daily Loss	(1.1%)	(1.8%)	(2.2%)	(1.6%)	(2.5%)	(3.2%)
Largest Draw Down from Peak	(3.0%)	(2.8%)	(3.9%)	(6.5%)	(9.9%)	(12.9%)
Fund % Down Capture		(27.9%)	(14.1%)		18.1%	7.9%

FORMULA GROWTH

markets have yet to be matched with equally exciting economic data; the U.S. economy continues to grow but at a slowing rate of 1-2%, Europe continues to be in a difficult economic stretch and China's growth seems to have bottomed after the leadership change. For the market to continue to move higher, the economy must improve drastically in the 2nd half of the year, and while there are reasons to believe that this is the case (housing, wealth effect and domestic energy production) should the economy fail to deliver in the 2nd half there could be significant downside to equity valuations. We are therefore comfortable maintaining our neutral posture heading into Q2 and to add value through stock selection.

Portfolio Positioning

We began the quarter with net exposure of 2.0% and a net beta of 0.21. As the markets continued to rally throughout Q1, we steadily reduced our exposure and finished the quarter with net exposure of -9.9% and a net beta of 0.0. The average net exposure over the quarter was -4.5% with an average net beta of 0.11. We gradually reduced our exposure as markets continued to lift and our company specific checks continued to confirm that the economy had yet to accelerate from its 1 to 2% low growth levels. We chose to protect our investors from un-expected downside and volatility by increasing our hedge book from 37.9% at the begging of the quarter to 47.2% at quarter end.

Market and Beta Exposure

	Dec-31	Q1 Avg.	Mar-31
Gross Long	67.0%	70.0%	65.4%
Gross Short	(65.1%)	(74.5%)	(75.3%)
Net	2.0%	(4.5%)	(9.9%)
Total Gross	132.1%	144.5%	140.7%
Net Raw Beta	0.21	0.11	0.01

Strategy Breakdown

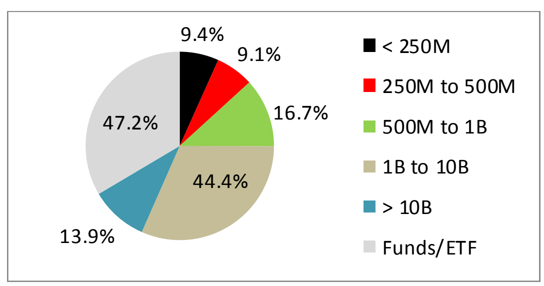
	Dec-31	Q1 Avg.	Mar-31
Pair Trade	15.9%	17.2%	18.5%
Hedge	37.9%	44.4%	47.2%
Alpha Long	57.2%	60.5%	56.0%
Alpha Short	21.1%	22.3%	19.0%

The Alpha long book remained relatively constant during the quarter with an average of 60.5%. Our Alpha short book began at 21.1%, peaked on the 20th of February at 27% and ended the quarter at 19% as several money making shorts were covered in the back half of the quarter. Our Pair Trading book increased from 15.9% at the beginning of the quarter to 18.5% at quarter end as we added a new paired position.

Positions (Period End) and Returns by Market Cap

	# of Longs	# of Shorts	Total	Q1	2013 YTD
< 250M	8	0	8	2.6%	2.6%
250 to 500M	9	1	10	1.3%	1.3%
500M to 1B	12	3	15	0.9%	0.9%
1B to 10B	18	18	36	1.5%	1.5%
> 10B	2	4	6	(0.0%)	(0.0%)
Funds/ETF	0	6	6	(4.7%)	(4.7%)
Total	**49**	**32**	**81**	**1.3%**	**1.3%**

Market Cap Breakdown (Period End)



F O R M U L A   G R O W T H

FORMULA GROWTH LIMITED

Quarterly Portfolio Attribution

Strategy Attribution

	Q1	2013 YTD
Pair Trade	0.6%	0.6%
Hedge	(4.7%)	(4.7%)
Alpha Long	6.1%	6.1%
Alpha Short	(0.4%)	(0.4%)

During the quarter, 28 individual names contributed over 10 bps to total return with 8 of these being new positions initiated during the quarter. The Alpha Long book contributed 6.1% on gross exposure of 60.5%, roughly inline with the S&P 500 returns. The Alpha Short book had an excellent quarter losing only 0.4% on average exposure of 22.3%, significantly outperforming index returns. The Pair Trading Book contributed 0.6% on average net exposure of 17.2% while our Hedge Book lost 4.7% on average net exposure of 44.4%.

The major contributors to first quarter performance were the Financial Sector which added 1.2%, the Consumer Discretionary Sector which added 1.0% and the IT Sector which added 0.7%. On the negative side of the ledger the Energy Sector cost us 1.4%.

Net Exposure

	Dec-31	Q1 Avg.	Mar-31
Cons. Discr.	(2.1%)	(2.7%)	(5.3%)
Cons. Staples	(2.4%)	(2.8%)	(2.8%)
Energy	5.1%	(0.2%)	(3.2%)
Financials	(0.6%)	(1.4%)	(1.7%)
Health Care	1.8%	2.2%	1.8%
Industrials	(5.4%)	(4.2%)	(3.8%)
IT	6.3%	6.1%	7.8%
Materials	(0.3%)	(0.7%)	(1.5%)
Telecom.	(0.1%)	(0.4%)	(0.8%)
Utilities	(0.4%)	(0.4%)	(0.5%)

Attribution

	January	February	March	Q1	2013 YTD
Cons. Discr.	0.5%	(0.3%)	0.8%	1.0%	1.0%
Cons. Staples	0.1%	(0.0%)	(0.1%)	0.1%	0.1%
Energy	(0.2%)	(1.2%)	(0.1%)	(1.4%)	(1.4%)
Financials	0.2%	0.8%	0.2%	1.2%	1.2%
Health Care	0.1%	(0.2%)	0.1%	(0.0%)	(0.0%)
Industrials	(0.1%)	0.8%	(0.3%)	0.4%	0.4%
IT	1.0%	(1.2%)	1.0%	0.7%	0.7%
Materials	(0.0%)	(0.3%)	0.0%	(0.4%)	(0.4%)
Telecom.	(0.0%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)
Utilities	(0.0%)	0.0%	(0.0%)	(0.0%)	(0.0%)

Financials

The Financial Sector was our best performing sector in Q1 adding 1.2% to total return. We had an average net exposure of negative 1.4% and ended with a net exposure of -1.7%. Financials were a strong contributor in the market during Q1 fueled by an improving U.S. housing market and a reduced perception of tail risks driven by central bank actions which led a continued improvement in company valuations. Our top contributor in Q1 was Radian Group, a mortgage insurer in the US, which added 102bps and Genworth Financial, an insurance company, which added 50bps. There were no losses above 10bps in the quarter. We will continue to maintain a neutral posture and attempt to add value through security selection.

Consumer

The Consumer Discretionary Sector was our second best performing sector in Q1 adding 1.0% to total return. We had an average net exposure of -2.7% and ended with a net exposure of -5.3%. The Consumer discretionary sector was a solid contributor in the market during Q1 driven by a continued recovery in consumer spending, an improving labor market and an improving housing market. Our top contributors in Q1 was ValueVision Media, a home shopping and e-commerce marketing

FORMULA GROWTH
LIMITED

company, which added 114 bps. Our biggest loss was in ITT Educational Services, a for profit school in the US which contributed –43 bps. We will continue to maintain a neutral to negative posture towards the consumer sector as the group is pricing in a robust recovery to pre-crisis levels in consumer spending which has yet to materialize.

Energy

The Energy Sector was our worst performing sector in Q1 subtracting 1.4% to total return. Our defensive posture in the sector of -3.2% and a net beta of 0 was predicated on our concern around limited oil price upside in the near term and our neutral view of the market in general, this hurt us in a rising stock market environment as the Energy Index rose 11.7% in the quarter. Our top contributor in the quarter was Halcon Resources which added 55bps to returns. The largest negative contributor was Northern Oil and Gas which lost 83bps in the quarter despite being confident in the long term value of the name, part of the position was eliminated in the quarter in order to limit the losses in this holding.

IT

The IT Sector contributed 0.7% to total return in the quarter. The returns were driven by several winners on the long side with five names contributing more than 10bps in the quarter, the biggest winner was Move Inc. a new position in the quarter which added 51 bps to total return, the biggest loss in the quarter came from VeriFone Systems which lost 76 bps after reporting very disappointing earnings and as a result we sold the majority of the position.

2nd Quarter Outlook

We entered the 2nd quarter with a neutral portfolio posture. We continue to be concerned that downside risks are still prominent given the following two scenarios. Firstly, markets may be vulnerable to any disappointing economic numbers as the Central Bank's ability to counteract a slowing economy or any deflationary expectations are diminished significantly after several years of massive monetary intervention. Secondly, should economic and labor markets improve considerably, stock market participants will begin to worry about a potential withdrawal of monetary stimulus which will be difficult to accomplish given the trillions in liquidity which would be removed. This removal will most likely not happen without any major market dislocations. The positive scenario for stocks would be a continued muted recovery in the U.S. economy with inflation and unemployment remaining close to current levels. We will continue to stay true to our process, limiting volatility and providing our investors with downside protection while continuing to add value for our investors through our stock picking process.

Thank you for your confidence,

Formula Growth

FORMULA GROWTH

FORMULA GROWTH LIMITED

Notes & Disclaimers

- Performance figures reported represent the US$ performance of the Formula Growth Alpha II Fund L.P. (the "Fund") and are based on an investment in the Fund made on May 1, 2011, the date of the Fund's inception. Gross performance figures are presented after reduction for any investment and fund accounting related expenses, net interest, other expenses and the reinvestment of dividends, and include any gains or losses from "new issue" securities. Per the Fund's High Water Mark provisions, net performance figures take into account a 1% Management Fee and a 20% incentive allocation. Performance results for particular investors may vary from the performance stated herein as a result of, among other things, the timing of their investment(s) in the Fund, different management and incentive allocation terms and the respective investor's eligibility to participate in "new issue" securities.
- Performance attribution figures reflect summations of the respective profits and losses divided by the average of the beginning and end of month total gross Fund assets, and are not inclusive of expenses, management and incentive fees/allocations. Other income/expense items such as stock lending fees, interest income/expense, dividend income/expense, administrative fees and other portfolio related fees may or may not be included. Performance attributions should be considered approximations and are calculated to the best of our knowledge.
- Beta is calculated by Formula Growth Ltd. using the Bloomberg system and is the trailing 6 months daily returns versus the S&P 500 unadjusted (raw).
- Exposure represents the market value of all equity securities and single-equity-backed instruments (i.e. derivatives) as of the date of this statement. Exposure numbers exclude currency hedges.
- Sector and industry classifications are determined by Formula Growth Ltd. using available sources such as Bloomberg. Exposures based on these figures should be considered as approximations and are calculated to the best of our knowledge.
- Market Capitalization represents the relative market capitalization of long and short positions on a U.S. dollar adjusted basis using available sources such as Bloomberg. Exposures based on these figures should be considered as approximations and are calculated to the best of our knowledge.
- All performance figures contained herein are unaudited estimates and subject to change. Certain information contained herein may have been provided by third party sources, and, although believed to be reliable, has not been independently verified and cannot be guaranteed.
- Formula Growth Ltd. serves as the investment manager for the Fund. Investors should consult the Offering Memorandum (the "Memoranda"), which is available upon request, for more information on the investment strategy, complete disclosures and the terms and conditions relating to an investment in each Fund.
- Any investment in the Fund is speculative and involves substantial risk, including the risk of losing all or substantially all of such investment. No representation is made that the Fund will or is likely to achieve their objectives, that any investor will or is likely to achieve results comparable to the estimated performance shown, will make any profit at all or will be able to avoid incurring substantial losses. Past performance is not necessarily indicative of future results.
- Performance estimates are presented only as of the date referenced above and may have changed materially since such date.
- The Fund has monthly liquidity provisions for redemptions and subscriptions. There is no secondary market for the interests in the Fund and none is expected to develop. There are restrictions on transferring interests in the Fund. Formula Growth Ltd. has total trading authority of assets within the Fund.
- The Fund's high fees and expenses may offset its trading profits. The fact that Formula Growth Ltd. is eligible to receive an incentive fee or allocation may create an incentive to make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of such priority allocation of profits.
- The Fund may be denominated in a currency that is not the currency of your own jurisdiction and thus may be subject to any fluctuation in exchange rates between your investment in the Fund and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of your investment.
- The Fund is subject to conflicts of interest. Please review the "Risk Factors" and "Conflicts of Interest" sections in the Memoranda.
- This document is intended only for the person to whom it has been delivered by Formula Growth Ltd. This document is provided for informational purposes only, may not contain certain material information about the Fund, and is not an offer to sell or a solicitation of an offer to buy any interest or shares in the Fund. Any investment decision in connection with the Funds should be made based on the information contained in the Memoranda. This document is the property of Formula Growth ltd., is strictly confidential and may not be reproduced or redistributed nor may any of its contents be disclosed to any other person under any circumstances. This document is not intended to be, nor should it be construed as, financial, legal, tax, accounting or investment advice or recommendations.

FORMULA GROWTH