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Highlights:

May 6, 2014

- Performance of 5.3% vs. +1.8% for the S&P500 and +1.3% for the HFRI Market Neutral index;
- Exposure varied between –9.4% and +9.6%, as we benefited from increased market volatility to take profits and add to exposure opportunistically;
- Annualized volatility remained very low at 5.2%, less than 1/2 of the S&P500;
- Returns were uncorrelated, only 2.5% vs. the S&P500, and the fund enjoyed positive returns during down market days.

Formula Growth Alpha Fund

1st Quarter 2014 Results

Dear Investors,

Quarterly Review

The Alpha strategy performed exceptionally well in Q1 achieving our strategy of capital preservation during periods of market drawdowns (as evidenced by the January return of +1.6% for the alpha strategy vs -3.5% for the S&P500). Even though slower economic activity due to weather disruptions weighted on the stock markets during the first quarter, the overall net return for the Alpha strategy was +5.3% compared to +1.8% for the S&P 500 TR and +1.1% for the Russell 2000 TR.

The Alpha strategy entered the year with a net exposure level of -5.7%, as we harvested profits on the short book it increased opportunistically to +7.9% at the end of January. As the market rebounded we took profits on specific long positions and ended the quarter with an exposure level of 1.6%. The returns achieved in Q1 were driven by stock selection resulting in a strong Sharpe ratio of 6.5. Annualized volatility remained very low at 5.2% which was less than half and a third that of the S&P 500 and Russell 2000. We were particularly pleased with the fund's performance on days where the market was down as evidenced by our negative downside capture ratio of –29% (the fund was up when markets were down on average). In fact, the fund generated superior gains during down market days, than during up market days. The fund maintained a low correlation to the overall market with essentially no correlation to the S&P500.

As we enter the 2nd quarter, we continue to maintain a cautious view of the overall equity markets for two main reasons. Firstly, as we wrote in our last quarterly letter, the uncertainty posed by the Federal Reserve's continued unwinding of its bond buying commitments has increased volatility in the equity markets. Secondly, at this point in the cycle, equity market valuations leave little room for error considering the implicit expectations for accelerated earnings growth in the second half of 2014. We will continue to maintain a neutral positioning focusing our efforts on stock selection and exploiting pockets of increased market volatility. We feel that strong fundamental work is rewarded in this environment and that there should be good opportunities on both the long and short side going forward.

Relative Return Analysis

	1st Quarter 2014			Strategy Inception-to-Date		
	Alpha II	S&P500	R2000	Alpha II	S&P500	R2000
Statistical Analysis						
Annualized Deviation of Daily Returns	5.2%	12.0%	16.8%	7.0%	11.9%	16.0%
Sharpe Ratio based on Daily Returns	**6.5**	0.4	0.2	3.2	1.5	1.4
Strategy Correlation		**2.5%**	**4.0%**		34.4%	36.5%
Up Market Analysis						
Number of Up Days	36	32	33	332	311	300
Largest Daily Gain	0.9%	1.5%	2.7%	2.7%	2.5%	2.9%
Strategy % Up Capture		15.1%	14.9%		30.9%	20.7%
Down Market Analysis						
Number of Down Days	25	29	28	231	252	263
Largest Daily Loss	(0.7%)	(2.3%)	(3.2%)	(1.6%)	(2.5%)	(3.8%)
Largest Draw Down from Peak	(1.5%)	(5.8%)	(7.4%)	(6.5%)	(9.9%)	(12.9%)
Strategy % Down Capture		**(28.6%)**	**(15.1%)**		5.0%	0.9%

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Portfolio Positioning

Market volatility led to dynamic portfolio positioning during the quarter. Entering the year with a modestly negative net exposure of -5.7% to the market (net beta of -0.02), the portfolio was properly positioned during January's market weakness. As the market sold off, we covered both Alpha Shorts and portfolio hedges which led the net market exposure of the fund to increase to +7.9%. These two strategies were therefore strong contributors to the January performance generating respectively +0.9% and +2.7% to returns. As the market bounced back in February, we subsequently reduced exposure back to -7.2% as potential gains from short positions were becoming more attractive and new opportunities were discovered.

As a reminder to our investors, the Alpha fund generally seeks to maintain portfolio net dollar exposure and net beta to between +10 to -10% and 0.10 to -0.10 respectively. Although we are aware of macroeconomic events and policies, our portfolio positioning within our tight exposure band remains purely a function of our bottom up fundamental stock analysis. Being rigorous and disciplined with our price targets, we will tend to sell positions as they approach their fair value or buy them back as they get cheaper. This process inherently leads us to decrease our Alpha long exposure in a rallying market (or to increase short exposure as stocks get more expensive). Conversely, the opposite will occur in a market trending lower as we tend to buy attractively priced securities (or to reduce our short exposure by covering these position as they fall and get closer to our fair value). This dynamic position management occurs as each individual position, long and short, are sized around their respective expected returns (we target 30-50% return for Alpha longs and 20-30% for Alpha shorts). This target based process is central to our alpha generating capabilities as we are constantly re-allocating capital to the highest returning opportunities in the portfolio.

Strategy Breakdown

	Dec-31	Q1 Avg.	Mar-31	YTD Avg.
Pair Trade	0.0%	0.0%	0.0%	0.0%
Hedge	56.6%	49.1%	42.7%	49.1%
Alpha Long	63.4%	63.3%	65.6%	63.3%
Alpha Short	12.4%	15.5%	21.3%	15.5%

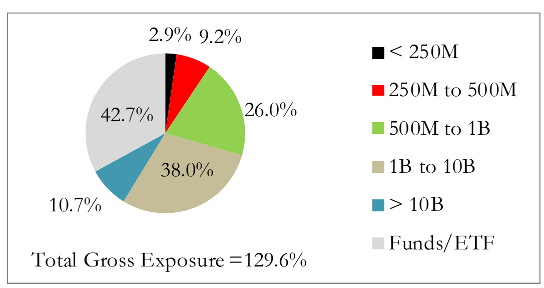
Market and Beta Exposure

	Dec-31	Q1 Avg.	Mar-31	YTD Avg.
Gross Long	63.4%	63.4%	65.6%	63.4%
Gross Short	(69.1%)	(64.6%)	(64.0%)	(64.6%)
Net	(5.7%)	(1.2%)	1.6%	(1.2%)
Total Gross	132.4%	127.9%	129.6%	127.9%
Net Raw Beta	-0.02	-0.02	0.02	-0.02

Positions (Period End) and Returns by Market Cap

	# of Longs	# of Shorts	Total	Q1	2014
< 250M	3	0	3	0.2%	0.2%
250 to 500M	11	1	12	(0.4%)	(0.4%)
500M to 1B	16	4	20	3.4%	3.4%
1B to 10B	15	18	33	4.9%	4.9%
> 10B	4	3	7	(0.3%)	(0.3%)
ETF Hedges	0	4	4	(0.2%)	(0.2%)
Total	**49**	**30**	**79**	**7.6%**	**7.6%**

Market Cap Breakdown (Period End)



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Strategy Gross Attribution

	Q1	2014 YTD
Pair Trade	0.0%	0.0%
Hedge	(0.2%)	(0.2%)
Alpha Long	7.0%	7.0%
Alpha Short	0.6%	0.6%

Quarterly Portfolio Attribution

During the quarter, 31 individual names contributed 10 bps or more to overall returns with 9 of these being new positions initiated in the quarter. The quarter also saw very strong contributions from our highest conviction positions with 5 names contributing more than 75bps to overall return. Our Alpha longs performed very well in the quarter generating 7.0% of our gross return on average gross exposure of 63.4%. Our Alpha shorts generated 0.6% of gross return on average exposure of 15.5%. Both alpha longs and alpha shorts outperformed the market while our hedges detracted only -0.2% as we took profits throughout the quarter.

The major contributors to third quarter performance were the Consumer Discretionary sector adding 3.6%, the Energy sector adding 2.4%, and the Information Technology sector adding 1.5%.

Net Exposure

	Dec-31	Q1 Avg.	Mar-31
Cons. Discr.	(4.9%)	4.0%	5.4%
Cons. Staples	(2.4%)	(3.3%)	(0.8%)
Energy	(1.3%)	(0.9%)	(4.2%)
Financials	0.3%	0.6%	3.3%
Health Care	(3.7%)	(5.4%)	(5.4%)
Industrials	(2.5%)	(3.6%)	(3.7%)
IT	7.6%	7.0%	8.3%
Materials	1.9%	1.0%	(1.5%)

Sector Gross Attribution

	January	February	March	Q1
Cons. Discr.	1.8%	1.0%	0.8%	3.6%
Cons. Staples	0.2%	(0.3%)	0.2%	0.1%
Energy	1.0%	0.9%	0.5%	2.4%
Financials	(0.6%)	0.2%	0.1%	(0.3%)
Health Care	0.0%	(0.2%)	0.1%	(0.1%)
Industrials	(0.0%)	0.5%	0.3%	0.7%
IT	0.4%	1.1%	0.1%	1.5%
Materials	(0.3%)	(0.2%)	0.0%	(0.5%)

Consumer Discretionary

The Consumer Discretionary sector was our best performing sector adding 3.6% to total return. We began the quarter with a net exposure of –4.9% and ended with a net exposure of +5.4% as we covered our short positions on significant retail equity weakness early in the year. Beginning in the 4th quarter of 2013, we had become more cautious on the consumer as our channel checks were pointing to an incrementally tougher environment. Our best performing stocks in the quarter were a short position in the S&P retail ETF that added 102bps, a long position in Apollo Group (84bps) and a long position in Tower International (70bps). We have reduced our exposure to Apollo Group after a positive earnings report in January and have completely exited our position in Tower International. Our worst performing stock was Staples Inc., which detracted 27bps of return.

Energy

The Energy sector was our 2nd best performing sector contributing 2.4% to total return. We maintained a neutral posture towards the sector in Q1 with an average net exposure of -0.9%. The sector performed well during the quarter and as the upside available in our individual names diminished we reduced our exposure levels by selling Alpha longs and adding to our short book. The best performing stocks were Clayton Williams Energy (202bps) and Goodrich Petroleum (129bps). Both names are

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companies we have followed for over 5 years and that remain are under the radar stories with strong land positions in some of the top basins in the United States. The worst contributor in the quarter was Peabody Energy (down 63 bps) which suffered from weak met coal pricing and very negative sentiment towards the group. While we are bullish on its longer term prospects, Peabody Energy hit our stop loss trigger of 50bps and thus the position was reduced in the portfolio.

Information Technology

The Information Technology sector was our 3rd best performing sector adding 1.5% to total return. We began the quarter with net exposure of 7.6%, which remained relatively consistent throughout the quarter. Our best performing stock in the quarter was RealD (142bps), a new position that entered the portfolio in late 2013. We gradually increased the position in RealD throughout the quarter as our thesis was validated by our substantial research process. In addition to our financial analysis, we had several one-on-one conversations with the CEO and visited with several industry participants at the largest cinema industry conference of the year (Cinemacon). RealD is a licensor of 3D technology to cinema operators with a very large installed base of 3D movie screens worldwide. They are the market leader in the U.S., with a growing presence in China, and have interesting breakthrough consumer related technologies in development. Our worst performing stock in the sector was Move Inc, which detracted 39bps of return.

2nd Quarter 2014 Outlook

We continue to maintain a neutral posture as we head into the 2nd quarter. From our extensive bottom up research process, we believe the U.S. economy will continue to show signs of improvement. However, much of this optimism could potentially be already reflected in the 16x Price to Earnings Multiple for the S&P500. Given a continued low interest rate environment, low inflation, healthy corporate balance sheets, and a growing economy we believe that the market could maintain these or higher valuation levels for some time. For the market to move significantly higher from here, the U.S. economy will have to accelerate sharply in the second half of 14. Without this acceleration, the market remains ever more vulnerable to potential increased volatility stemming from several known or unknown factors such as the Federal Reserve continuing to withdraw liquidity from the markets, the potential slowing economic activity in emerging markets, and increasing geopolitical tensions around the world.

We will continue to keep our ears to the ground to uncover any changes in economic activity through our bottom up research process that could alter our currently held views. As fundamental stock pickers, we believe we can continue adding strong value on the long and short side in this type of environment.

Thank you for your confidence,

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Notes & Disclaimers

- Performance figures reported from January 1st 2014 onwards represent the US$ performance of the Formula Growth Alpha Fund (the "Fund"). Prior returns represent the US$ performance of the Formula Growth Alpha II L.P. and are based on an investment in the Fund made on January 1, 2012, the date of the Strategy'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.
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- 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.
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- The Fund is subject to conflicts of interest. Please review the "Risk Factors" and "Conflicts of Interest" sections in the Memoranda.
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