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Highlights:

February 4, 2015

- For a 3rd consecutive year FG Alpha Fund generated a positive return in 2014 and annualized a compounded return of US$ 11.9% since inception;
- While our stock selection in the first half of 2014 was excellent we experienced a disappointing second half of the year;
- We expect a more balanced market which is favorable to the Alpha strategy as there are opportunities to generate return from both the long and the short side.

Formula Growth Alpha Fund

Full Year & 4th Quarter 2014 Results

Dear Investors,

Full Year Review

For 2014, the Alpha Strategy returned US$ 2.7% net of fees while maintaining an average net exposure to the market of -1.7% and a net beta of 0.04. We are pleased to report a 3rd consecutive year of positive returns aggregating to a US$ 40.1% net over this period for our investors. Since the inception of the Fund in January 2012 the fund has annualized at US$ 11.9% per year which is significantly above our 5-7% annual target return while maintaining an average net exposure of -1.1% and a modest net beta of 0.13.

The Formula Growth Alpha Fund mandates minimal exposure to the market and to any given sector and therefore our returns are generated (or lost) by the quality of our stock picking in a given period. As we have mentioned in our prior letters, periods of strong returns will occur when our stock picking does well while periods of underperformance will occur when our stock picking is poor. In order to understand and monitor how our stock picking is doing, we use metrics such as Sharpe ratio (risk adjusted returns), batting average (number of positions on which we make money divided by the total number of positions we held during the period) and slugging average (average money we make when we are right vs. average money we loose when we are wrong).

2014 can be summarized in two parts: the first half of the year was extremely strong as witnessed by our Sharpe ratio of 5.1, our batting average of 64% and our slugging average of 1.2. Strong returns were generated as many ideas were reaching our price targets at a faster pace than we anticipated. On the other hand, unfortunately, our stock selection was more difficult in the second half of the year as out metrics dropped to a Sharpe Ratio of -2.2, a batting average of 53% and a slugging average of 0.6.

Since inception we only had three quarters where the fund lost money versus nine where we made money and every weak quarter has coincided with a period where our batting average was poor (please refer to the table below). As a firm managing long/short strategies since 2002 our batting average has consistently been in the low 60's and, historically, every period of weak stock selection has quickly recovered delivering strong alpha for our investors.

FG Alpha Fund class F US$ net of fees & Batting Average

2012	Q1	Q2	Q3	Q4	2012
Formula Growth Alpha Fund	15.1%	-4.8%	2.2%	8.8%	21.9%
Batting Average (% profitable positions)	65%	48%	70%	68%	67%

2013	Q1	Q2	Q3	Q4	2013
Formula Growth Alpha Fund	0.8%	2.4%	4.4%	3.9%	11.9%
Batting Average (% profitable positions)	57%	62%	61%	60%	62%

2014	Q1	Q2	Q3	Q4	2014
Formula Growth Alpha Fund	5.3%	4.9%	-1.5%	-5.6%	2.7%
Batting Average (% profitable positions)	63%	62%	54%	44%	56%

Batting average rapidly returns to our long term average leading to strong alpha for our investors

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As stock pickers we will never be able to get all stock decisions right, but as investors you should look for managers that get it right more often than not and that can show consistency of decision making over time. We strongly feel that our 55 year track record as a firm, our 12 year track record managing long/short funds and now 3 year track record managing the market neutral Alpha Strategy gives us great confidence in our ability to repeat and sustain the strong results we have delivered in the past.

The Alpha Strategy has several additional benefits which are worth repeating: a low historical volatility, a low correlation to the S&P 500 and capital preservation in down markets. In 2014 our annualized volatility was 6.8% vs. 11.4% for the S&P 500 and 16.3% for the Russell 2000 while the correlation between the Alpha Strategy and the S&P 500 was only 0.14 (0.3 since inception). A low volatility/low correlation strategy becomes especially important when market risk increases providing greater diversification benefits to investors' portfolios. Capital preservation is key to our strategy as demonstrated by our positive returns in 6 of the 10 worst months of either the Russell 2000 or the S&P 500 since launch (please refer to the table below). FG Alpha cumulatively made +0.6% during these months while the S&P 500 lost -16.8% and the Russell 2000 lost -34.2%. The correlation of FG Alpha to the equity markets during these months was similar to bonds (JPM GABI) and the preservation of capital proved to also be better than a bond index (+0.6% vs -1.3% for the JPM GABI). While the low correlation and capital preservation attributes of the Alpha Strategy is similar to what bonds can offer, we believe the Formula Growth Alpha Fund will generate superior return vs. bonds going forward given the current low interest rate market environment.

As we enter what appears to be a more volatile environment in 2015, these conservative qualities should be a valuable asset to our investors portfolios. We look forward to continue generating positive absolute returns with low correlation and low volatility irrespective of market conditions.

FG Alpha Fund class F US$ net of fees when equity indices lose > 1%

	S&P 500	Russell 2000	JPM GABI	FG Alpha
April 2012	-0.6%	-1.5%	1.2%	-1.6%
May 2012	-6.0%	-6.6%	-0.8%	-1.5%
July 2012	1.4%	-1.4%	1.1%	0.1%
October 2012	-1.8%	-2.2%	-0.1%	0.9%
June 2013	-1.3%	-0.5%	-1.1%	1.1%
August 2013	-2.9%	-3.2%	-0.5%	1.1%
January 2014	-3.5%	-2.8%	1.2%	1.6%
April 2014	0.7%	-3.9%	1.1%	1.4%
July 2014	-1.4%	-6.1%	-0.8%	-1.3%
September 2014	-1.4%	-6.0%	-2.6%	-1.2%
Cumulative	-16.8%	-34.2%	-1.3%	0.6%

Q4 Review and Portfolio Positioning

In Q4 we maintained an average net exposure to the market of -3.3% and a net beta of 0.06 generating a return of US$ -5.6% net of fees vs. +4.9% for the S&P 500 and +9.7% for the Russell 2000. As was mentioned earlier, despite the positive equity markets the Fund suffered from a very poor period of stock picking which was well below our historical averages. For the period, the volatility of the fund remained lower than the market with an annualized standard deviation of 8.7% vs 14.2% for the S&P 500 and 18.4% for the Russell 2000. We are clearly disappointed with our Q4 results (see October letter for more details) and our focus is to recover from this drawdown in the months to come.

As the fourth quarter progressed, we found an increasing number of opportunities on the short side while it became more difficult to identify new long ideas that met our 30-50% upside requirement. As a result, our Alpha Long gross exposure reduced during the quarter from 61.3% to 33.8% and our Alpha Short gross exposure was increased from 17.4% to 29.5%. This higher Alpha Short exposure limited our need to use stock baskets, sector ETFs or market hedges and the gross allocation was reduced from 42.9% to 10.9% at quarter end.

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Quarterly Portfolio Attribution

During the quarter 18 individual names contributed more than 10bps while 29 names lost more than 10bps. The quarter was accentuated by poor performance from our large positions with 7 names costing the fund more than 50bps in the quarter while only 2 positions contributed more than 50bps. In Q4 all 4 of our strategies lost money: Alpha Longs cost 3.5%, Alpha Shorts lost 1.5%, Hedges cost 70bps and Pair Trades lost 50bps. The major detractors from our Q4 performance were the Energy and Material sectors which lost 4.3% and 1.3% respectively.

While this quarter was more difficult, three of our strategies were positive for the year: the Alpha Long strategy added 6.2% gross, the Alpha Short strategy made 1.2% gross and the Pair Trade strategy contributed marginally. Only the Hedges which are essential to maintain a neutral portfolio cost money in 2014. The equity markets were very strong these past three years and we are proud to have generated positive cumulative returns from our Alpha Short strategy. For the first time in three years we expect the current market environment to provide us with as many Alpha Long and Alpha Short opportunities which are very favorable conditions for the strategy.

Strategy Gross Attribution

	Q1	Q2	Q3	Q4	2014
Pair Trade	0.0%	(0.2%)	0.7%	(0.5%)	0.0%
Hedge	(0.1%)	(3.7%)	3.0%	(0.7%)	(1.6%)
Alpha Long	6.9%	10.6%	(6.9%)	(3.5%)	6.2%
Alpha Short	0.6%	0.1%	2.1%	(1.5%)	1.2%

Strategy Gross Attribution

	2012	2013	2014
Pair Trade	0.4%	1.0%	0.0%
Hedge	(4.7%)	(12.0%)	(1.6%)
Alpha Long	28.9%	30.2%	6.2%
Alpha Short	1.6%	(2.2%)	1.2%

Market and Beta Exposure

	Sep-30	Q4 Avg.	Dec-31	2014 Avg.
Gross Long	61.3%	43.2%	34.3%	59.0%
Gross Short	(60.3%)	(46.5%)	(40.8%)	(60.7%)
Net	1.0%	(3.3%)	(6.5%)	(1.7%)
Total Gross	121.6%	89.8%	75.1%	119.7%
Net Raw Beta	0.19	0.06	-0.01	0.04

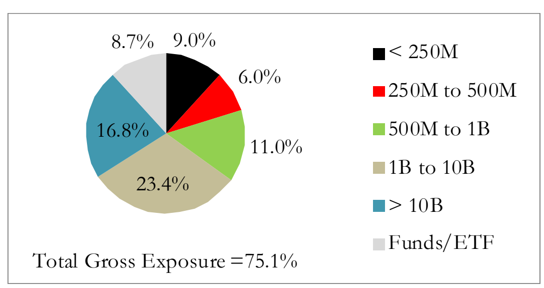
Strategy Breakdown

	Sep-30	Q4 Avg.	Dec-31	2014 Avg.
Pair Trade	0.0%	1.5%	1.0%	1.8%
Hedge	42.9%	21.7%	10.9%	43.1%
Alpha Long	61.3%	42.4%	33.8%	58.0%
Alpha Short	17.4%	24.2%	29.5%	16.8%

Number of Positions by Market Cap (Period End)

	# of Longs	# of Shorts	Total
< 250M	6	0	6
250 to 500M	6	1	7
500M to 1B	8	3	11
1B to 10B	7	16	23
> 10B	1	14	15
ETF Hedges	0	2	2
Total	**28**	**36**	**64**

Market Cap Breakdown (Period End)



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Statistical Analysis

	4th Quarter 2014			2014			Strategy Inception-to-Date		
	Alpha	S&P500	R2000	Alpha	S&P500	R2000	Alpha	S&P500	R2000
Statistical Analysis									
Annualized Deviation of Daily Returns	8.7%	14.2%	18.4%	6.8%	11.4%	16.3%	7.1%	11.7%	16.1%
Sharpe Ratio based on Daily Returns	(2.7)	1.2	2.3	0.7	0.9	0.2	**2.2**	1.4	1.1
Strategy Correlation vs.		0.20	0.51		**0.14**	**0.31**		**0.30**	**0.37**
Up Market Analysis									
Number of Up Days	25	37	37	133	144	138	429	423	405
Largest Daily Gain	1.7%	2.4%	3.1%	1.7%	2.4%	3.1%	2.7%	2.5%	3.1%
Strategy % Up Capture		7.5%	12.6%		16.9%	14.9%		27.8%	19.2%
Down Market Analysis									
Number of Down Days	39	27	27	119	108	114	325	331	349
Largest Daily Loss	(1.1%)	(2.1%)	(2.7%)	(1.1%)	(2.3%)	(3.2%)	(1.6%)	(2.5%)	(3.8%)
Largest Draw Down from Peak	(8.3%)	(5.4%)	(5.0%)	(9.0%)	(7.4%)	(13.2%)	(9.0%)	(9.9%)	(13.2%)
Strategy % Down Capture		43.3%	42.3%		**8.8%**	**8.8%**		**9.4%**	**5.3%**
Sortino Ratio (MAR = 8%)	-4.7	1.3	2.6	-0.2	0.7	-0.1	**1.9**	1.4	1.0

Energy

During the quarter the price of oil declined by over 40% which is one of the largest moves in the last 20 years. While the fund maintained a neutral posture to the sector in Q4 (average net exposure of 1.7%) our stock picking was extremely poor with our long positions dramatically underperforming our shorts. As the sector sold off in September and October we added back two positions to the portfolio that had been large winners earlier in the year and where we had strong knowledge of the companies and their assets. Goodrich Petroleum was purchased around $14 (down from $28 earlier in the year) after we met with management and discovered that their most recent wells were dramatically outperforming the prior wells. Unfortunately, Goodrich fell dramatically following the price of oil costing 241bps to the portfolio during the quarter. Our annual stop losses process forced us out of the name when it approached a 1% loss on the year (cost 91bps to the fund in 2014).

Sanchez Energy is another name that hurt the fund during the quarter. We began tracking the name when it came public in 2011 and it was one of the top contributors to the fund this year as its price rose from $24 to $37 per share. Subsequent to our sale of the position the company made a very interesting acquisition which we felt would add tremendous value to the business. As the stock fell to $20 following the drop in oil prices in early October we aggressively bought back the stock. Unfortunately, as with Goodrich, the oil price swoon overwhelmed the positive company fundamentals and the rapidity of the price drop surprised us reaching losses of 193bps for the quarter. Our annual stop loss was exercised and the position was sold costing 123bps in 2014.

Our shorts, while profitable in Q4, did not produce enough gains to offset the large losses in Sanchez and Goodrich. Short positions in Northern Oil (contributed +54bps) and Triangle Petroleum (contributed +24bps) were the top contributors.

As a reminder to our investors our stop loss system is designed to prevent poor stock selection or mistakes that would hurt the full year performance of the fund: if a stock cost 50bps we cut the position by 1/3, if a stock cost 75bps we cut it by another ½ and if a stock cost 100bps on the year we cut the entire position. The system proved to be successful limiting annual losses on stocks such as Goodrich/Sanchez to around 1% of the portfolio. Over the past three years this rigorous process was important to preserve capital and generate three consecutive years of positive returns for the Alpha strategy.

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The recent period however resulted in more intra quarter volatility than we and our investors are comfortable with. As explained in our October letter we have expanded our stop loss system to have both an annual stop loss and a monthly stop loss which will reduce monthly volatility. We feel that by limiting loses when we are wrong, by being right more often than we are wrong and by making more money when we are right than when we are wrong, the outcome will translate into strong uncorrelated returns for our investors over time.

Materials

We maintained a slightly positive posture in the Materials sector in Q4 with an average net exposure of 3.9%. We started building positions in gold producers as we felt that the negative sentiment towards gold had reached extreme levels. Two unique stories caught our attention and we felt they were primed for re-ratings: Richmont Gold contributed 29bps for the quarter (+94bps for the full year) while Klondex Mines contributed 10bps for the quarter and the year (it was it was bought in Q4). Our two biggest performance detractors were Freeport McMoran (cost 53bps in the quarter) and AK Steel (cost 79bps in the quarter).

Net Exposure

	Sep-30	Q4 Avg.	Dec-31	2014 Avg.
Cons. Discr.	1.3%	3.2%	2.1%	4.4%
Cons. Staples	(3.6%)	(5.5%)	(5.9%)	(3.4%)
Energy	5.3%	1.7%	(0.9%)	(1.6%)
Financials	(4.7%)	(4.2%)	(2.4%)	(2.6%)
Health Care	(5.6%)	(3.5%)	(1.6%)	(4.4%)
Industrials	(0.4%)	1.6%	0.4%	(2.0%)
IT	2.8%	(1.0%)	(0.5%)	5.2%
Materials	6.3%	3.9%	1.2%	2.7%

Sector Gross Attribution

	October	November	December	Q4	2014
Cons. Discr.	0.2%	(0.0%)	(0.2%)	0.0%	5.0%
Cons. Staples	(0.3%)	(0.1%)	(0.1%)	(0.6%)	(0.2%)
Energy	(3.7%)	(0.3%)	(0.3%)	(4.3%)	(0.7%)
Financials	(0.2%)	0.1%	0.2%	0.1%	0.5%
Health Care	(0.4%)	(0.0%)	0.2%	(0.2%)	1.1%
Industrials	(0.0%)	(0.0%)	0.3%	0.2%	2.1%
IT	0.1%	(0.6%)	0.3%	(0.3%)	(0.1%)
Materials	(1.1%)	(0.0%)	(0.1%)	(1.3%)	(1.3%)

2015 Outlook

The U.S. economy continues to perform well as job growth continues, interest rates remain low and consumers benefit from a much lower oil price. We expect 2015 to be a more volatile year as the market deals with many different situations: the pending rate hike from the Fed, the economic concerns in Europe, the growing geopolitical tensions due to the extensive drop in the price of oil, the rapidly rising U.S. dollar, etc. As we enter 2015 we are excited at the prospects for the Formula Growth Alpha Fund as we see alpha generating opportunities on both the long and the short side, a condition that has not occurred in the past three years. In addition as we expect a volatile year ahead for stocks and we are comfortable maintaining a below average gross exposure until our market outlook changes.

January 2015 was an example of the market volatility we expected and despite the S&P 500 losing 3% we are happy to report that FG Alpha generated a gain of US$ +0.1% for the month.

Thank you for your confidence,

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Glossary of Terms

- Alpha longs: An investment strategy which involves taking long positions in stocks that are expected to increase in value by 30 to 50% over 3 to 18 months.

- Alpha shorts: An investment strategy which involves taking short positions in stocks that are expected to decrease in value by 20 to 30% over 3 to 18 months.

- Short positions: The sale of a borrowed security, with the expectation that the asset will fall in value and the re-purchase will result in a positive investment result.

- Pair trades: An investment strategy whereby an initial investment is made either long or short with a corresponding direct offset, or hedge, against the primary risk of the initial investment.

- Hedges: Hedging is the practice of taking a position in one market to offset and balance against the risk adopted by assuming a position in a contrary or opposing market or investment.

- Sharpe ratio: The ratio measures the excess return (or risk premium) per unit of deviation in an investment asset or a trading strategy, typically referred to as risk.

- Batting average: number of positions on which we make money divided by the total number of positions we held during the period

- Slugging average: average contribution of positions on which we make money divided by the average contribution of positions on which we lose money for the period

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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.
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- 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.
- 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.
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