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April 22, 2015

Highlights:

- FG Alpha Fund had a strong performance in the first quarter generating US$ +4.0% and has an annualized compounded return of US$ +12.3% since inception;
- The FG Alpha Fund once again offered low correlation as returns were positive in January and March while the S&P 500 had negative returns;
- As expressed in the Q4 letter, we continue to expect a more balanced market going forward where positive returns can be generated on both the long and short side.

Formula Growth Alpha Fund

1st Quarter 2015 Results

Dear Investors,

The FG Alpha Fund had a strong first quarter in 2015 generating a return of US$ +4.0% net of fees vs. +1.0% for the S&P 500 and +4.3% for the Russell 2000. While the long term expected standard deviation of the fund is expected to be under 7%, our return volatility for the quarter was a mere 4.5% which compares very favorably to the volatility of the S&P 500 and of the Russell 2000 (14.1% and 16.0% respectively). U.S. investors were indeed surprised by the rapid acceleration in value of the U.S. dollar, the continued volatility seen in oil prices, the fear of a rate hike occurring too rapidly in 2015 and the ever-present concern about conflicts in the Middle East. As it often has been the case these past 6 years the market bounced back in February but the March's macro headlines regarding "Grexit" concerns and the Fed removing their "patient" language brought back concerns to the forefront.

Q4 Review and Portfolio Positioning

In this environment, the FG Alpha Fund maintained a modest average net exposure to the market of +0.1% and a net beta of 0.02. While the S&P 500 had a difficult month of January (-3.0%) and March (-1.6%), the FG Alpha Fund generated positive returns in all 3 months of the quarter with strong contribution from both the long and short book. Since the inception of the strategy the fund generated an annualized return of over +12% which is above our long term goal of 5-7%. More importantly, since inception and further validated in the first quarter of 2015, the fund has had a strong focus on capital preservation and low correlation to major U.S. indices. The chart below shows the performance of the fund during the 12 months where the S&P 500 or the Russell 2000 lost more than 1%. The FG Alpha Fund generated positive returns in 8 of the 12 months for a positive cumulative return of +2.2% while the S&P 500 and the Russell 2000 cumulated losses of –21.4% and –35.6% respectively over the period.

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

	Stocks		Bonds	
	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%
January 2015	-3.0%	-3.2%	0.2%	0.1%
March 2015	-1.6%	1.7%	-0.5%	1.4%
Cumulative	-21.4%	-35.6%	-1.7%	2.2%

Low correlation when stocks are down

Similar capital protection as bonds when stocks are down

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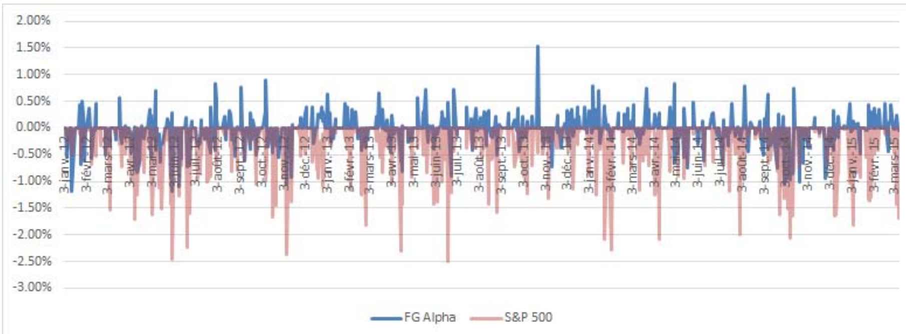
As another representation of the low correlation of the FG Alpha Fund, the graph below represents the daily performance of the fund (blue) during days when the S&P 500 has negative performance (red). It can be easily observed that the daily volatility and the downside capture of the fund is significantly lower than the market. Moreover, we can observe that the FG Alpha Fund frequently delivers positive returns when the market is down further proving its low correlation to the market during difficult periods:

FG Alpha Fund class F US$ net of fees during negative days of the S&P 500



While we had been finding it increasingly difficult in Q4 and early Q1 to identify new long ideas that met our 30-50% upside requirement, the US equity market losses in January created interesting opportunities for our fund. Our continuous research process coupled with well over 300 company management meetings this quarter allowed us to uncover new alpha opportunities and resulted in the gross long exposure growing from 35% to 58% during the quarter. Although we are finding many interesting Alpha Short opportunities we did take profits in some positions during Q1 decreasing our Alpha Short portfolio from 30% to 20%. To compensate and maintain market neutrality, our market hedges grew from a gross allocation of 10% to 33%.

Market and Beta Exposure

	Dec-31	Q1 Avg.	Mar-31	YTD Avg.
Gross Long	34.3%	48.3%	57.9%	48.3%
Gross Short	(40.8%)	(48.2%)	(52.6%)	(48.2%)
Net	(6.5%)	0.1%	5.4%	0.1%
Total Gross	75.1%	96.6%	110.5%	96.6%
Net Raw Beta	-0.01	0.02	0.02	0.02

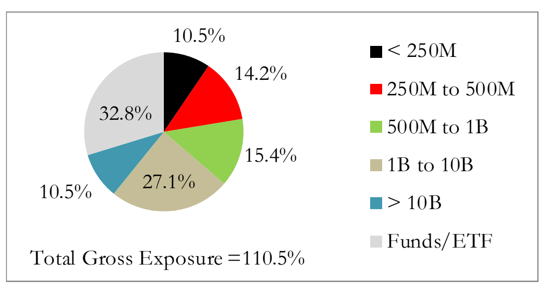
Strategy Exposure Breakdown

	Dec-31	Q1 Avg.	Mar-31	YTD Avg.
Pair Trade	1.0%	1.6%	0.0%	1.6%
Hedge	10.9%	24.0%	32.8%	24.0%
Alpha Long	33.8%	46.8%	57.9%	46.8%
Alpha Short	29.5%	24.4%	19.7%	24.4%

Number of Positions by Market Cap (Period End)

	# of Longs	# of Shorts	Total
< 250M	9	0	9
250 to 500M	13	0	13
500M to 1B	9	1	10
1B to 10B	21	11	32
> 10B	1	8	9
ETF Hedges	0	5	5
Total	**53**	**25**	**78**

Market Cap Exposure Breakdown (Period End)



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Quarterly Portfolio Attribution

During the quarter, 33 individual names contributed more than 10bps while only 12 names lost more than 10bps. More importantly, our top 10 contributors generated cumulatively close to 400bps for the fund which is 2x the amount that our top 10 losing positions cost in Q1. Looking at all the positions we held in the fund (139 positions) our 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) was over 2.0 which is very strong indicating that, on average, our winning positions made 2x more than what our losing positions cost.

In Q1 both Alpha Longs and Alpha Shorts generated important returns (+4.9% and +1.1% respectively) while Hedges cost 0.3% and Pair Trades lost 0.2%. All sectors contributed to the fund's return during the first quarter. While 5 sectors contributed to the fund's return by more than 0.5%, the industrial sector stands out with a contribution of 1.9%.

Industrial

The Industrial sector contributed the most in Q1 (+1.9%) and our net exposure grew during the quarter from 0.5% to 3.5% with an average net exposure of 1.6%. Our top contributing position, Barrett Business Services (+48bps), is a company that provides outsourced solutions including payroll processing and worker's compensation among other things. We initiated a position following an important correction in the stock price (October 2014) which was caused by a mistake by the prior management team that had not maintained enough reserves for worker's compensation. Our analysis pointed to strong growth and valuation had become significantly inexpensive compared to similar companies making it a good entry point. Although we took some profits (the stock price appreciated by over 135% since October 2014) we are still a shareholder in the company. Our biggest loser for the quarter was Hill International (-9bps), a construction consulting firm we expect to rebound in 2015 as the company guided to strong revenue growth which would result in significant margin expansion.

Strategy Gross Attribution

	2014	Q1	2015
Pair Trade	0.0%	(0.0%)	(0.0%)
Hedge	(1.6%)	(0.3%)	(0.3%)
Alpha Long	6.2%	4.9%	4.9%
Alpha Short	1.2%	1.1%	1.1%

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%

Net Sector Exposure

	Dec-31	Q1 Avg.	Mar-31	YTD Avg.
Cons. Discr.	2.1%	4.4%	3.8%	4.4%
Cons. Staples	(5.9%)	(3.4%)	(3.3%)	(3.4%)
Energy	(0.9%)	(1.9%)	(1.9%)	(1.9%)
Financials	(2.4%)	(1.5%)	(1.6%)	(1.5%)
Health Care	(1.6%)	(2.0%)	(1.8%)	(2.0%)
Industrials	0.4%	1.6%	3.5%	1.6%
IT	(0.5%)	1.6%	5.8%	1.6%
Materials	1.2%	0.5%	0.4%	0.5%
Telecom.	1.4%	1.2%	1.3%	1.2%
Utilities	(0.3%)	(0.6%)	(0.8%)	(0.6%)

Sector Gross Attribution

	January	February	March	Q1	2015
Cons. Discr.	(0.1%)	0.8%	0.0%	0.8%	0.8%
Cons. Staples	0.2%	(0.1%)	0.6%	0.7%	0.7%
Energy	0.2%	0.1%	0.1%	0.3%	0.3%
Financials	0.1%	0.2%	(0.0%)	0.2%	0.2%
Health Care	(0.2%)	0.5%	(0.1%)	0.2%	0.2%
Industrials	0.4%	0.1%	1.3%	1.9%	1.9%
IT	(0.1%)	0.9%	0.1%	0.8%	0.8%
Materials	0.2%	0.4%	0.1%	0.6%	0.6%
Telecom.	(0.2%)	0.2%	0.1%	0.1%	0.1%
Utilities	0.0%	(0.0%)	0.0%	(0.0%)	(0.0%)

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Consumer Discretionary

The consumer discretionary sector was our second best performing sector (+0.8%) during the quarter. The sector has been very strong in the past year as the American consumer continues to benefit from an improving labour market, low oil prices, and low interest rates. Our net exposure began the quarter at 2.1% and ended at 3.8% with an average net exposure 4.4%. Our top contributor in Q1 was Remy International (+42bps), an auto parts company with a solid book of orders. The company's stock price had been under pressure in 2014 as the stock was spun out of their parent company. This led us to perform our analysis and conclude that the company had important growth prospects while the selling pressure on the stock was to be temporary. Our biggest loser was Bridgepoint Education (-20bps), an online education company which we expect will deploy part of their important liquidity cushion in a shareholder friendly action.

Materials & Energy

Although the Material and the Energy sectors were important source of Alpha generation since the launch of the fund we are currently maintaining a low gross exposure to these sectors. Since Q4 2014 the volatility in commodity prices caused companies to detach from traditional fundamental valuation methods and made it difficult to initiate new investments. On the long and short side we continue to make selected investments in the mining and energy sector as we found companies that offered significant upside using low commodity price assumptions, good management and potential for a multiple rerating as the street better appreciate the exploration and production upside potential. We also found interesting investments in companies of other sectors (building product manufacturer as an example) that, as oil prices declined, saw their input price decrease improving their profits margins.

Outlook

The U.S. equity bull market turned six years old this past quarter and the S&P 500 index rallied from a bottom of 676 on March 9, 2009 to nearly 2,100 at the end of the first quarter, a gain of 210%. We are currently in the fourth-longest bull market in history and global central banks remain the common theme behind these new market highs. While it is not our expertise to make macro predictions, it is becoming increasingly difficult to find long ideas that achieve our 30-50% upside criteria. 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. As mentioned in our 4th quarter letter, we expect increased volatility in 2015 fueled by many uncertainties: the pending rate hike from the Fed, the growing geopolitical tensions due to the extensive drop in the price of oil, the rapidly rising U.S. dollar, etc. This market environment is very beneficial to the strategy of the FG Alpha Fund as we see opportunities on both the long and the short side, a condition that has not occurred in the past three years and should provide a fertile environment for alpha generation.

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.
- 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.
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