FORMULA GROWTH LIMITED

Highlights:

July 16th, 2015

- FG Alpha had a strong performance in Q2 generating US$ +2.6% (US$ 6.7% YTD);
- Year-to-date, the FG Alpha Fund has maintained a very low daily volatility of 3% (12% for the S&P500 TR) and a negative correlation of –0.01 to the S&P500 TR;
- As we expected for the U.S. equity market 2015 is offering higher volatility with moderate return where strong stock picking skills have been key.

Formula Growth Alpha Fund

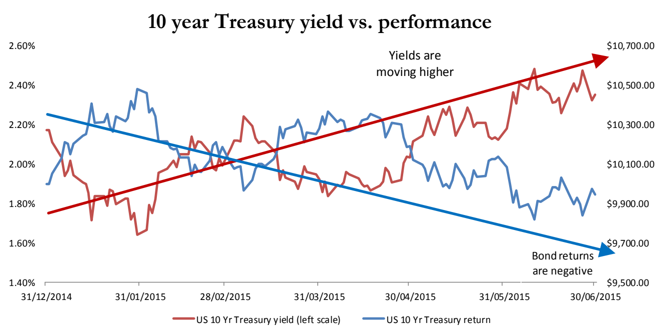
2nd Quarter 2015 Results

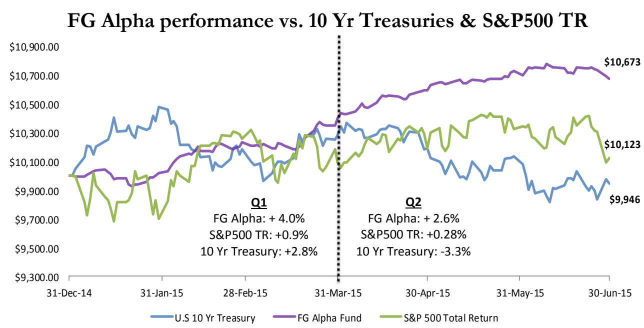
Dear Investors,

The FG Alpha Fund had a good second quarter in 2015, generating a return of US$ +2.6% net of fees vs. +0.3% for the S&P500 TR and +0.4% for the Russell 2000 TR. So far in 2015, the Fund's annualized daily return volatility is only 3.0% vs. 12.2% for the S&P500 TR and 14.3% for the Russell 2000 TR. Additionally, the daily return correlation of the FG Alpha Fund vs. the S&P500 TR was negative at –0.01. In spite of an escalation in negative global macro headlines, strong risk control and excellent stock picking has allowed the Fund to offer a low volatility and low correlation stream of return vs. the U.S equity market. The FG Alpha Fund has a Sharpe ratio of 4.0 this year which compares favorably to the S&P500 TR and the Russell 2000 TR (0.19 and 0.77 respectively).

Many investors perceive the FG Alpha Fund as a portfolio stabilizer with similar characteristics as a high quality fixed income investment: low correlation to equities, low volatility, very liquid and an expected annual return of 5-7%. In the current environment, we understand the concerns that some investors might have related to the bond market: very low income generation given the low level of interest rates, concerns around a rise in interest rate by the Fed, and the possibility that both equities and bonds lose money at the same time. While a rising rate environment could hurt both stocks and bonds, the low correlation to interest rates and stocks offered by the FG Alpha Fund makes it a conservative addition to a portfolio providing a non-correlated source of returns.

The chart below illustrates that interest rates in the U.S. have been on a steady climb this year, which has led to negative returns for bonds while the U.S. equity market has been essentially flat. Meanwhile, the FG Alpha Fund had a strong first half of the year generating a return of +6.7%. We believe that this differentiated return stream that is neither correlated to equity or bonds improves risk adjusted returns and is an ideal addition to a portfolio.





Q2 Review and Portfolio Positioning

During Q2, the FG Alpha Fund maintained its neutral net exposure to the market with an average net exposure of +1.9% and an average net beta exposure of -0.03 in Q2. In this environment more work is required to find exciting ideas and we continue to meet with a large amount of company management teams. During the quarter we uncovered several new ideas that led us to increase our long exposure from 55% to 64%. Although we are finding many interesting Alpha Short opportunities, we did take profits in some positions as the Alpha Short portfolio decreased from 20% to 14%. To compensate and maintain market neutrality during the quarter, our market hedges grew from a gross allocation of 33% to 43%.

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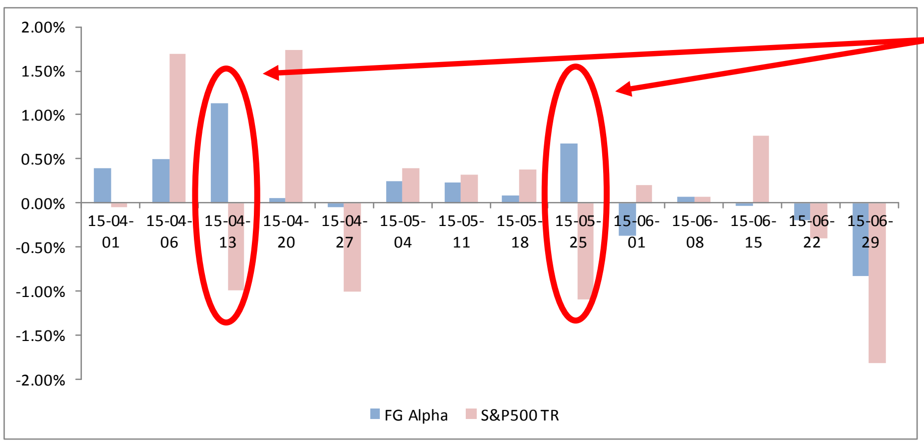
The FG Alpha Fund strives to achieve low correlation to U.S. equities by maintaining a low dollar exposure, beta exposure and risk factor exposures to the market. If we are successful at minimizing market exposure, investors will only be left with our stock selection ability as the primary factor that generates returns. To further illustrate the low correlation of the FG Alpha Fund, we display below the weekly performance of our Fund (blue) vs the S&P500 TR (red) during the second quarter. We can observe that our weekly volatility and downside capture is significantly lower than the market. Moreover, the FG Alpha Fund frequently delivers positive returns even when the market is down, further proving its low correlation to the market during difficult periods.

Weekly performance of the FG Alpha Fund vs. S&P 500 TR during Q2 2015



FG Alpha Fund has a low volatility and weak correlation to the equity market

Market and Beta Exposure

	Mar-31	Q2 Avg.	Jun-30	YTD Avg.
Gross Long	57.9%	61.4%	60.7%	54.9%
Gross Short	(52.6%)	(59.5%)	(60.3%)	(53.9%)
Net	5.4%	1.9%	0.4%	1.0%
Total Gross	110.5%	120.9%	121.0%	108.8%
Net Raw Beta	0.02	-0.03	0.03	0.02

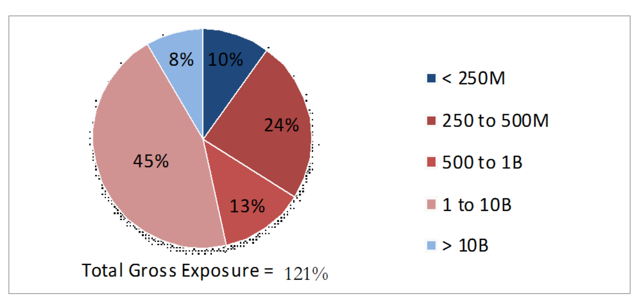
Strategy Exposure Breakdown

	Mar-31	Q2 Avg.	Jun-30	YTD Avg.
Pair Trade	0.0%	0.0%	0.0%	0.8%
Hedge	32.8%	43.7%	46.1%	33.9%
Alpha Long	57.9%	61.3%	60.7%	54.1%
Alpha Short	19.7%	15.9%	14.2%	20.1%

Number of Positions by Market Cap (Period End)

	# of Longs	# of Shorts	Total
< 250M	8	0	8
250 to 500M	18	0	18
500M to 1B	8	0	8
1B to 10B	20	9	29
> 10B	4	3	7
ETF Hedges	0	5	5
Total	**58**	**17**	**75**

Market Cap Exposure Breakdown (Period End)



Quarterly Portfolio Attribution

During the quarter, 26 individual names contributed more than 10bps while 17 names lost more than 10bps. More importantly, our top 10 contributors generated cumulatively 471bps for the Fund which is 1.5x the amount that our top 10 losing positions cost the Fund during the quarter. Since the beginning of the year, 58% of the positions we invested in were profitable. This batting average of 58% combined with our strong slugging average of 1.72 (our winning positions generated 1.72x more profits than our losing positions cost the Fund) explains our strong performance in the first half of the year. As long as our winning stocks are consistently outperforming our losing stocks, the FG Alpha Fund should continue to generate positive returns for our investors.

During the quarter, our Alpha Longs generated a significant returns of +3.4% while our Alpha Shorts did not do as well costing the Fund –0.4%. We were successful with our portfolio Hedges (+0.8%) while Pair Trades were flat for the quarter. Nearly all sectors contributed to the Fund's return during the second quarter with 5 sectors contributing to the Fund's return by more than 0.5% (Materials, IT, Industrial, Health Care and Consumer Discretionary).

Materials & Energy

Although the Materials and Energy sectors were important sources of Alpha generation since the launch of the Fund, we are currently maintaining a low gross exposure to these sectors. Earlier in the year, our analysis found that most stocks in the sector were priced on an optimistic recovery oil price scenario of $75 per barrel while the actual price of oil was $50. While this "price to hope" made it difficult for us to find interesting long ideas, we were also reluctant to short names that seemed to have found a floor and that remained very volatile. Nonetheless, on the long and short side we continued to make selective investments in the mining and energy sectors as we found selected companies with good management that offer significant upside using low

Strategy Gross Attribution

	2015	Q2
Pair Trade	(0.2%)	0.0%
Hedge	0.5%	0.8%
Alpha Long	8.1%	3.4%
Alpha Short	0.7%	(0.4%)

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

	Mar-31	Q2 Avg.	Jun-30	YTD Avg.
Cons. Discr.	3.8%	3.7%	(1.4%)	4.1%
Cons. Staples	(3.3%)	(2.7%)	(0.9%)	(3.1%)
Energy	(1.9%)	(1.6%)	(2.1%)	(1.7%)
Financials	(1.6%)	(3.6%)	(5.9%)	(2.5%)
Health Care	(1.8%)	(2.5%)	(1.6%)	(2.2%)
Industrials	3.5%	3.8%	2.8%	2.7%
IT	5.8%	3.9%	9.4%	2.8%
Materials	0.4%	0.7%	(0.2%)	0.6%
Telecom.	1.3%	1.4%	1.3%	1.3%
Utilities	(0.8%)	(1.0%)	(1.0%)	(0.8%)

Sector Gross Attribution

	April	March	June	Q2	2015
Cons. Discr.	0.6%	0.6%	(0.5%)	0.7%	1.5%
Cons. Staples	0.0%	0.1%	0.1%	0.2%	0.9%
Energy	(0.1%)	(0.3%)	(0.3%)	(0.7%)	(0.4%)
Financials	0.2%	0.0%	(0.3%)	(0.1%)	0.1%
Health Care	0.1%	0.3%	0.2%	0.6%	0.8%
Industrials	0.9%	0.0%	(0.3%)	0.6%	2.5%
IT	(0.1%)	0.9%	0.1%	0.9%	1.7%
Materials	1.0%	(0.1%)	0.2%	1.1%	1.7%
Telecom.	0.2%	0.0%	0.1%	0.3%	0.4%
Utilities	0.0%	0.0%	0.0%	0.0%	(0.0%)

commodity price assumptions, and a potential for multiple expansion. In addition, we added some short positions where we felt the market was overly optimistic on commodity price recoveries required to justify current valuations. We also found interesting investment opportunities in companies in other sectors (ex. building product manufacturer) where declining oil prices drop their input cost thus improving profit margins. For the quarter, Klondex Mines Ltd was the top winner adding 0.85% to the quarterly return while CLD was the biggest loser costing 0.6% to the Fund.

Consumer Discretionary

The consumer discretionary sector was our third best performing sector (+0.7%) during the quarter. This sector has frequently been a source of alpha generation in the past given its vast number of names as well as the important role it plays within the U.S economy. The sector has performed very well since the 2009 market bottom but was down 2.6% in Q2 due to elevated valuations. Our best performing position was a company named Jakks Pacific, a US toy manufacturer, which added 48bps to performance, driven by their continued strong financial performance and activist involvement. During the quarter, subsequent to the stock hitting its target price we exited the position. Our second best performer was Yellow Media which added 31bps to performance. Yellow Media provides print and media services to businesses and the stock rallied after posting very solid Q1 results. We continue to hold a position in Yellow Media as we believe it continues to offer further upside transitioning to a digital business and continuing to pay down debt. Our worst performer for the quarter was Extended Stay America, a hotel operator in the US, which cost us 19bps. We like the stock due to an upswing in the outlook for the low end consumer and because of the ongoing renovation program that we believe will lead to a material margin expansion (higher daily rate). The stock was down as the private equity sponsor filed to sell shares but we believe that the stock has important upside potential once the market clears this equity deal.

Outlook

The S&P500 continues to reach all time highs but with less conviction. It seems that company earnings are solid but global macro fears continue to weigh on investors. It is not our expertise to make macro predictions, however we do find it increasingly difficult to find long ideas that achieve our 30-50% upside criteria. As such, we maintain a conservative posture for the portfolio and believe that our investment process will continue to generate strong absolute returns for our investors.

Thank you for your confidence,

Formula Growth

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.
- 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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