FORMULA GROWTH LIMITED

Formula Growth Alpha Fund

First Quarter 2017 Investment Results

Highlights:

- For Q1 2017, the FG Alpha Fund had a net return of US$ +1.9% while the S&P 500 TR and the Russell 2000 TR gained US$ +6.1% and US$ +2.5% respectively;
- FG Alpha Fund offered non correlated returns in Q1, generating an average daily performance of +0.1% during the 27 days of negative performance of the S&P 500 TR;
- Since the inception of the strategy in January 2012, the FG Alpha Fund generated an annualized return of US$ +10.1%, with a low daily correlation to the S&P 500 TR of only 0.1

Dear Investors,

During the first quarter of 2017, the FG Alpha Fund had a net return of US$ +1.9% while the S&P 500 TR and the Russell 2000 TR gained US$ +6.1% and US$ +2.5% respectively. The FG Alpha Fund was able to generate a positive performance in Q1 despite maintaining an average net short exposure of -9.1% in a strong equity market.

The beginning of 2017 saw an extension of the U.S. presidential election market rally as investors anticipate supportive economic policies. While the quarter started very strong for U.S. equities, the month of March was weaker with the Russell 2000 TR giving back half of its YTD gains. Indeed, the end of the quarter saw events that raised concerns as the new Trump administration suffered a disappointment with a unsuccessful effort to amend health care regulation. Investors also focused on the Federal Reserve as it decided to hike the benchmark interest rate by a quarter point, a third upward move since the financial crisis. The central bank is expected to continue the increases with two more hikes in 2017. Geopolitical risk is also a concern for investors as protectionism and the ongoing tension with foreign countries may reduce economic growth and bring more uncertainty in the markets.

We are currently in the 9th year of an economic expansion. Most sectors of the market are experiencing a combination of peak profit margins and maturing economic cycles, while valuation multiples are close to record levels. This is typically not a great starting point for strong multi year returns and it is making us quite cautious. On the long side we typically look for structural re-rating stories where we find a company that is growing slowly with a low to moderate valuation and a specific catalyst that will accelerate growth causing both the earnings growth rate and multiple to expand. In the current market environment there are plenty of companies growing slowly but most enjoy record high valuations with limited catalysts. Through our intensive bottom up research process we continue to identify a few below the radar opportunities but we find it increasingly more difficult to find interesting new long ideas.

As a result, we are spending increasing amounts of time on short side idea flow. As a review, there are three structural setups that we focus on when shorting stocks at Formula Growth :

1. The first short category are overvalued stocks where fundamentals are changing negatively with a near term catalyst (such as a disappointing earnings release) for the market to revalue that stock lower. This is our favorite category of shorts. For example, we have recently been involved with a short in WD-40 where valuation was elevated (the stock was trading at over 30x EPS vs a historical valuation less than half of that), fundamentals were changing negatively (higher oil price was pressuring gross margins) and a near term catalyst was highly possible (earnings reports were going to be disappointing). Another example is Domino's Pizza where we believe that stellar same store sales will slow due to growing competitive pressures in the U.S. and weaker results from their international stores. In fact, Dominos UK has already disclosed slowing sales in Q4 and further slowing in Q1. Dominos also trades at approximatively 35x vs closer to 20x – 25x for peers making it a very expensive stock.

2. The second short category are cyclical businesses operating above peak conditions. While the cyclicality of different business segments is widely known, there can be times where the timing is difficult and patience is required. These are however great shorts as stocks are likely to sell off significantly as soon as the market realizes that this business segment will slow down. A great example for the FG Alpha Fund has been short positions in the recreational vehicles sector where sales are currently above prior business cycle peak levels. As the market realized that business was slowing in this market segment the Fund realized profits from short positions in companies like Thor Industries and LCI Industries.

3. The third short category are overvalued stocks but with no obvious catalyst in sight to revalue the stock lower. Currently, there are many companies that we believe fall under this category. We tend to tread very carefully with these shorts as without a catalyst stocks can continue to grind higher. Our 15 year history managing short positions has taught us that elevated valuations alone are frequently not enough to generate returns and while we have some shorts in this category they tend to be of smaller–size. A current example would be the veterinary distribution space where valuations are over 50% higher than what they have been historically. We continue to follow many potential shorts in this category and await catalysts to increase our short exposure.

Our team has been very active in Q1 performing over 500 face to face meetings with corporate management teams and we feel well prepared to exploit future periods of elevated volatility.

Q1 Review: Portfolio Positioning & Quarterly Attributions

The FG Alpha Fund maintained a negative net average exposure of -9.1% during the quarter and a beta of -0.08 reflecting our difficulty in finding good long ideas in the current environment. Our gross exposure for the quarter was on average 110% which is slightly below our long term average, indicative of our low conviction toward the market. While we believe the US economy remains relatively healthy and we expect a decent Q1 earnings season, we feel that geopolitical uncertainty and very high valuations may lead to periods of elevated volatility. We are pleased to have generated positive performance from both our Alpha Long positions (+2.9%) and our Alpha Short positions (+0.4%) despite maintaining a net short exposure during the positive first quarter equity market.

We have done substantial work on autos over the last decade and we have enjoyed significant profit contributions from the sector. Over the years, our investments were focused on cyclical stories with profit improvement opportunities as the sector peaks. Recently this led to an investment in Mobileye, which provides image sensing and processing technology related to autonomous driving for the auto industry. Mobileye was bought out by Intel and we enjoyed a +65bps contribution during Q1.

Another interesting sector recently has been Energy where we found good relative value opportunities following the dramatic sector sell off on fears of lower oil prices during Q1 2017. Our work led us to believe that the sell-off was overdone allowing us to initiate a few new long side positions on the pullback. We believe that oil inventories are likely to decline going forward as a combination of stronger demand coupled with OPEC production compliance should be supportive of Crude oil prices in the 45 to 60 dollar a barrel range. As inventory levels decline we should see sentiment improve towards the group and the sector's underperformance reverse vs the overall market.

We have several unique bottom up long positions with specific catalysts that we hope will generate solid alpha for our investors. Ring Energy (REI) and Apache (APA) are two companies that are seeing dramatic improvement in capital efficiency as a result of strong returns from newly discovered areas which could generate IRR's over 100 percent on new capital investment. These long positions are offset with short positions that we expect will underperform the sector on company specific issues and cushion our investors from any sector specific volatility going forward.

Outlook

With investor optimism and U.S. equity valuations at high levels, very few new long investment ideas are meeting our return criteria. As the Trump administration's credibility will be scrutinized in the coming months (promises of lower taxes, less regulation, etc.) there is room for disappointment by investors which could lead to a more challenging market for U.S. equities. We also continue to believe market volatility will be high due to higher interest rates, inflation pressure, a stronger U.S. dollar, and geopolitical uncertainty. While we remain defensively positioned with low gross exposure, we expect to generate returns from both our Alpha Long and Alpha Short positions and believe the FG Alpha Fund to be a great compliment in anyone's portfolio.

Formula Growth is pleased to announce the launch the offshore version of the FG Alpha Fund this summer. This new Fund will invest using the same investment guidelines as the FG Alpha Fund. The Fund will be available to non Canadian investors and is expected to launch on June 1st with the backing of a large institution. More information is available on our website at www.formulagrowth.com.

On behalf of the officers, and employees of Formula Growth let us also take this opportunity to sincerely thank you for your continued support.

Formula Growth Limited

FORMULA GROWTH LIMITED

Formula Growth Alpha Fund
First Quarter 2017 Investment Results

Market and Beta Exposure

	Dec-30	Q1 Avg.	Mar-31	2017 Avg.
Gross Long	51.7%	50.0%	55.6%	50.0%
Gross Short	(61.0%)	(59.1%)	(64.3%)	-59.1%
Net	(9.3%)	(9.1%)	(8.8%)	(9.1%)
Total Gross	112.7%	109.1%	119.9%	109.2%
Net Beta	-0.12	-0.08	-0.01	-0.08

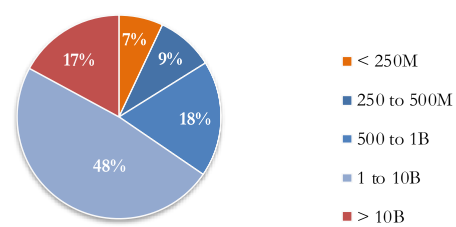
Strategy Exposure Breakdown

	Dec-30	Q1 Avg.	Mar-31	2017 Avg.
Hedge	-36.1%	(35.1%)	-25.6%	(35.1%)
Alpha Long	46.3%	45.3%	47.4%	45.3%
Alpha Short	(21.1%)	(20.3%)	(29.5%)	(20.3%)

Number of Positions by Market Cap (Period End)

< 250M	10	0	10
250 to 500M	9	0	9
500 to 1B	11	3	14
1 to 10B	22	22	44
> 10B	3	9	12
Funds/ETF	1	7	8
Total	**56**	**41**	**97**

Market Cap Exposure Breakdown (Period End)



Strategy Gross Attribution*

	Q1	Q2	Q3	Q4	2017
Alpha Short	0.4%				0.4%
Alpha Long	2.9%				2.9%
Hedge	(0.4%)				(0.3%)

Strategy Gross Attribution*

	2012	2013	2014	2015	2016	2017 YTD
Alpha Short	2.1%	(1.6%)	0.7%	4.6%	(3.9%)	0.4%
Alpha Long	29.9%	34.9%	7.1%	4.3%	17.6%	2.9%
Hedge	(4.2%)	(11.7%)	(1.7%)	0.9%	(2.1%)	(0.4%)

Net Sector Exposure

	Dec-30	Q1 Avg.	Mar-31	2017 Avg.
Cons. Discr.	(2.1%)	(3.4%)	(6.5%)	(3.4%)
Cons. Staples	(1.4%)	(0.1%)	0.4%	(0.1%)
Energy	0.8%	1.5%	(0.1%)	1.5%
Financials	(4.0%)	(5.2%)	(4.1%)	(5.2%)
Health Care	(2.5%)	(3.9%)	(5.7%)	(3.9%)
Industrials	(5.0%)	(4.3%)	(3.2%)	(4.3%)
IT	3.1%	3.4%	3.4%	3.4%
Materials	2.1%	2.7%	6.0%	2.7%
Telecom.	(0.2%)	0.0%	0.6%	0.0%
Utilities	(0.8%)	(0.9%)	(0.8%)	(0.9%)
Real Estate	0.8%	1.1%	1.4%	1.1%

Sector Gross Attribution

	Jan	Feb	Mar	Q1
Cons. Discr.	0.1%	-0.1%	0.4%	0.4%
Cons. Staples	0.3%	0.1%	0.1%	0.5%
Energy	0.1%	-0.9%	(0.2%)	(1.1%)
Financials	0.4%	0.1%	0.1%	0.7%
Health Care	0.0%	0.0%	0.2%	0.2%
Industrials	(0.1%)	0.0%	(0.0%)	(0.2%)
IT	0.5%	-0.1%	0.0%	0.5%
Materials	0.4%	0.2%	0.9%	1.6%
Telecom.	(0.0%)	0.0%	0.1%	0.0%
Utilities	0.0%	0.0%	0.0%	(0.0%)
Real Estate	0.0%	0.1%	0.2%	0.3%

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 have a positive return divided by the total number of positions we held during the period.

- Slugging average: Average contribution of positions on which we have a positive return divided by the average contribution of positions on which we have a negative return for the period.

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.
- The methodology of the calculation of the performance attribution was updated in Q4 2016.
- 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