

Formula Growth Alpha Fund

Third Quarter 2017 Investment Results

Highlights:

- ◆ For the third quarter of 2017, the FG Alpha Fund had a net return of US\$ +1.6% while the total return of the S&P 500, the Russell 2000 and the HFRI EMN was US\$ +4.5%, US\$ +5.7%, and US\$ +2.0% respectively;
- ◆ So far in 2017, the FG Alpha Fund had a net return of US\$ +6.1% while the total return of the S&P 500, the Russell 2000 and the HFRI EMN was US\$ +14.2%, US\$ +10.9%, and US\$ +2.8% respectively;
- ◆ FG Alpha Fund continues to maintain its track record of low volatility, low correlation to equities and low downside participation in 2017 while achieving its expected return of 5-7%.

Dear Investors,

During the third quarter of 2017, the FG Alpha Fund had a net return of US\$ +1.6% while the total return ("TR") of the S&P 500, the Russell 2000, and the HFRI Equity Market Neutral ("EMN") was US\$ +4.5%, US\$ +5.7%, US\$ +2.0% respectively. So far in 2017, the Fund maintained no correlation to the U.S. equity market (daily correlation of -0.02 to the S&P500 TR) and, more importantly, a daily correlation of -0.06 during the negative days of the S&P 500 TR illustrating the Fund's capacity to make money when the U.S. equity market is down. Year-to-date, the FG Alpha Fund was able to generate a positive performance of US\$ +6.1% despite maintaining an average net short exposure of -10.5% in a strong equity market.

Global equities posted solid gains again in the third quarter with supportive macroeconomic data, a healthy second quarter reporting season and further weakness in the U.S. dollar. Equity market volatility rose during hurricanes Harvey and Irma but the market judged the negative impact on growth to be transitory and volatility reached a historical low point in September. During the quarter, cyclical sectors such as financials and industrials performed well and the market also benefitted from a recovery in the WTI crude oil prices that rallied from \$46.04 in July to \$51.67 at quarter end. As the stock market reaches record levels, political uncertainty remains high with tension rising between the Trump administration and North Korea, while equity investors are hopeful for a favorable tax reform legislation by the Trump administration.

The Federal Reserve statement confirmed that they will soon begin to decrease the size of their balance sheet and resume their U.S. interest rate increase despite persistently weak inflation. During the past few years, the balance sheet expansion of the Fed and other global banks has been higher than any other time except for the initial days of the financial crisis and coincide with the great bull equity market we are experiencing. This monetary stimulus is however slowing down and could soon turn negative with the ECB tapering, the Fed shrinking its balance sheet, and with a possibility of the BoJ and SNB slowing down their purchases.

This unprecedented expansion of central banks' balance sheets has found its way into all asset classes pushing the valuation of real estate, government bonds, high yield bonds, and equities to high historic levels. Even soccer players are getting in on the asset inflation as witnessed by the transfer of soccer player Neymar from Barcelona to PSG for a record price of €222 million earlier this year! We remain concerned about the potential decrease in monetary stimulus and of its impact on overall asset valuations. While the market is hopeful for a smooth transition, we see it as a threat to the current bull market.

Q3 Review: Fund Positioning & Quarterly Attributions

The FG Alpha Fund maintained a negative net average exposure of -10.5% during the quarter and a net beta of 0.00. As we took profits on specific long positions in Q3 the gross exposure of the Fund fell to 120% at the end of the quarter (from 136% at the beginning of the quarter), slightly below our long term average reflecting our difficulty in finding attractive long ideas in the current environment. For Q3, our Alpha long positions contributed a gross return of +5.0%, our Alpha short positions cost -0.6% and our portfolio hedges cost -2.1%.

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For the third quarter of 2017, the Funds' largest detractors were Apache Corporation (NYSE: APA) which was sold and AMC Entertainment Holdings Inc. (NYSE: AMC) which was reduced in accordance to the Funds stop loss rules. Please see below some examples of the FG Alpha Fund's larger contributors during the quarter:

Trican Well Service Ltd (TSE: TCW)

Although we specialize in United States equities, Trican is a good example of our U.S. research leading to an interesting investment opportunity north of the border. We came across TCW while doing a deep sector dive on pressure pumping companies earlier this year. Through our work on the ETP producers, we recognized that U.S. energy producers were pumping more and more sand per well in an effort to boost volumes. While some U.S. companies were pumping 4-5X the sand per well versus 2 years ago, many Canadian producers had yet to increase their sand volumes. We liked the supply/demand implications of increasing well intensity for the sector and, as we analysed different pressure pumping companies, we observed that U.S. companies were trading at very high valuations vs Canadian peers. Further analysing the sector we realized that the Canadian frac industry had 6 players controlling 90% of the market share while the U.S. market was much more diversified (20 players which totaled 60% market share and many other smaller players). Meanwhile, TCW proceeded to buy the #3 player in the market (Canyon) becoming the clear market leader with 35% market share in Canada. Thus, the Canadian market was becoming even more consolidated, with these companies being 1 to 2 years behind their U.S. peers in the application of increasing frac intensity. With a thesis that the Canadian frac market would see faster pricing and margin gains than U.S. peers, coupled with the low valuation of the Canadian companies versus the U.S. peers, we took a position in TCW. We still own a good sizable position in the stock and believe the thesis has just begun to play out. TCW contributed 34 bps to the FG Alpha Fund so far this year.

Air Canada (TSE: AC), Ferroglobe PLC (NASDAQ: GSM) and Triumph Group Inc (NYSE: TGI)

While we discussed these stocks in our prior letters below is an update on the positions as all three contributed meaningfully to the return of the Fund in Q3.

Air Canada had a very successful earnings result for Q2 and gave a very positive update at their investor day. We maintained our position throughout the quarter and recently exited as it reached our near term price target. Air Canada contributed 120 bps to the FG Alpha Fund this year.

Ferroglobe had a positive update during Q3 as anti-dumping duties were put on imports of silicon coming in the U.S. We believe this will continue to support higher pricing into 2018 and will result in better than expected EBITDA for the company. In addition, Ferroglobe will soon host their first analyst day in a long time to update investors on the silicon market and to discuss capital allocation going forward. We have trimmed our position as the stock increased significantly but we still see interesting upside as we believe silicon pricing should appreciate further. GSM contributed 69 bps to the FG Alpha Fund so far this year.

We fully exited Triumph early Q3 after a very strong rally that sent the stock up over 40%. The market however provided us with another opportunity to buy the position after the stock declined by over 20% following disappointing guidance. As our investment thesis was intact (aerospace continues to be a strong sector, business jet sales are likely to bottom this year and thereafter accelerate, the military business is likely to provide some opportunities, the relationship with OEMs is improving and TGI has been successful at winning new business) we bought back the position. Triumph is likely to return to positive organic growth next year and expects to generate significant free cash flow two years down the road. We are maintaining the position and continue to believe Triumph offers significant long term upside. TGI contributed 50 bps to the FG Alpha Fund so far this year.

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Outlook

As the U.S. equity market grows stronger we see aggressive expectations of companies' future earnings already priced in their stock prices. It has become increasingly difficult to find new long ideas that meet our investment criteria. On the short side, we are able to find plenty of overvalued stocks but, without a specific catalyst that would cause the stock price to fall, the market environment makes it difficult to be rewarded. We feel investor complacency and optimism, coupled with high valuation could bring disappointment to investors and make it challenging for the equity market going forward. Our fundamental bottom up stock picking discipline prevents us from chasing market euphoria though we recognize this bull market could last for a period of time. In the meantime we believe we will continue to find special situations and generate good returns from superior stock picking despite our defensive market positioning.

For more information regarding our firm and products please visit our website at www.formulagrowth.com.

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

Formula Growth Limited

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Market and Beta Exposure

	Jun-30	Q3 Avg.	Sep-29	2017 Avg.
Gross Long	62.1%	58.2%	54.5%	57.8%
Gross Short	(73.6%)	(69.0%)	(65.9%)	(68.3%)
Net	(11.4%)	(10.8%)	(11.4%)	(10.5%)
Total Gross	135.7%	127.2%	120.4%	126.1%
Net Beta	0.08	0.00	-0.01	0.00

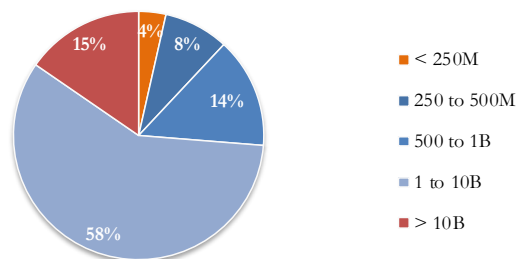
Strategy Exposure Breakdown

	Jun-30	Q3 Avg.	Sep-29	2017 Avg.
Hedge	(42.6%)	(43.2%)	(42.3%)	(42.1%)
Alpha Long	60.3%	56.7%	53.3%	56.4%
Alpha Short	(29.2%)	(24.3%)	(22.4%)	(24.8%)

Number of Positions by Market Capitalization (Period End)

	Long	Short	Total
< 250M	4	0	4
250 to 500M	10	0	10
500 to 1B	9	3	12
1 to 10B	29	21	50
> 10B	4	10	14
Funds/ETF	1	7	8
Total	57	41	98

Market Capitalization Exposure Breakdown (Period End)



Strategy Gross Attribution*

	Q1	Q2	Q3	Q4	2017
Alpha Short	0.4%	(1.1%)	(0.6%)		(1.6%)
Alpha Long	2.9%	3.5%	5.0%		12.2%
Hedge	(0.5%)	1.0%	(2.1%)		(2.0%)

Strategy Gross Attribution*

	2012	2013	2014	2015	2016	2017 YTD
Alpha Short	2.0%	(1.2%)	1.2%	3.3%	(3.9%)	(1.6%)
Alpha Long	28.9%	30.2%	6.2%	2.4%	17.6%	12.2%
Hedge	(4.7%)	(12.0%)	(1.6%)	2.8%	(2.1%)	(2.0%)

Net Sector Exposure

	Jun-30	Q3 Avg.	Sep-29	2017 Avg.
Cons. Discr.	(4.5%)	(3.3%)	(2.9%)	(4.2%)
Cons. Staples	(1.0%)	(1.2%)	(1.3%)	(0.3%)
Energy	(0.3%)	0.3%	0.8%	0.6%
Financials	(3.5%)	(4.2%)	(4.2%)	(4.6%)
Health Care	(4.4%)	(4.1%)	(3.7%)	(4.1%)
Industrials	(4.6%)	(5.5%)	(5.4%)	(4.6%)
IT	(0.8%)	1.9%	3.0%	1.3%
Materials	5.5%	4.9%	3.0%	4.6%
Telecom.	0.5%	(0.0%)	(0.3%)	0.2%
Utilities	(0.6%)	(0.5%)	(0.5%)	(0.7%)
Real Estate	2.2%	1.1%	0.3%	1.4%

Sector Gross Attribution

	Jul	Aug	Sep	Q3
Cons. Discr.	(0.0%)	(0.7%)	(0.2%)	(0.9%)
Cons. Staples	(0.0%)	(0.4%)	(0.1%)	(0.5%)
Energy	(0.2%)	(0.4%)	0.9%	0.4%
Financials	(0.0%)	(0.0%)	0.0%	0.0%
Health Care	(0.1%)	0.0%	(0.1%)	(0.1%)
Industrials	0.9%	1.1%	0.1%	2.1%
IT	(0.2%)	(0.0%)	0.2%	(0.0%)
Materials	(0.1%)	1.0%	0.7%	1.5%
Telecom.	0.0%	0.2%	(0.0%)	0.2%
Utilities	(0.0%)	0.0%	(0.0%)	(0.0%)
Real Estate	0.1%	0.1%	(0.0%)	0.1%

*All attribution is based on gross returns. Please see Notes & Disclaimers on page 6. Do not hesitate to contact us should you have any questions.

- ♦ Alpha longs: An investment strategy which involves taking long positions in stocks that are expected to increase in value by more than 30% over approximately 12 to 18 months.
- ♦ Alpha shorts: An investment strategy which involves taking short positions in stocks that are expected to decrease in value by more than 20% over approximately 12 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.
- ♦ Upside/Downside Capture: Upside market participation since inception is calculated as the average performance of the fund when the benchmark has a positive month while the downside market participation is calculated as the average performance of the fund when the benchmark has a negative month.

- ◆ 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.
- ◆ All performance figures contained herein are unaudited estimates and subject to change. Certain information contained herein may have been provided by third party sources including Bloomberg, and, although believed to be reliable, has not been independently verified and cannot be guaranteed. Performance estimates are presented only as of the date referenced above and may have changed materially since such date.
- ◆ Specific companies or securities discussed are meant to demonstrate Formula Growth's investment style and the types of industries and instruments in which we invest and are not selected based on past performance. The analyses and conclusions of Formula Growth contained in this report include certain statements, assumptions, estimates and projections that reflect various assumptions by Formula Growth concerning anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies and have been included solely for illustrative purposes. No representations, express or implied, are made as to the accuracy or completeness of such statements, assumptions, estimates or projections or with respect to any other materials herein.
- ◆ 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 United States 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.
- ◆ 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.
- ◆ 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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