

Formula Growth Alpha Fund

Third Quarter 2018 Investment Results

Highlights:

- During the third quarter of 2018, the FG Alpha Fund had a net return of US\$ -3.4% while the total return of the S&P 500, the Russell 2000 and the HFRI EMN was US\$ +7.7%, US\$ +3.6%, and US\$ -0.1% respectively;
- The net short positioning of the FG Alpha Fund along with uneven stock selection led the strategy to underperform during the quarter;
- Since inception in January 2012, the FG Alpha strategy annualized a net return of US\$ +8.0% per year, with an annualized volatility of 6.9% and a low daily correlation to the S&P 500 TR of 0.2.

Dear Investors,

During the third quarter of 2018, the FG Alpha Fund ("the Fund") had a net return of US\$ -3.4% while the total return ("TR") of the S&P 500, the Russell 2000, and the HFRI Equity Market Neutral ("EMN") was US\$ +7.7%, US\$ +3.6%, US\$ -0.1% respectively. Since inception in January 2012, the FG Alpha strategy annualized a net return of US\$ +8.0% per year, with an annualized volatility of 6.9% and a low daily correlation to the S&P 500 TR of 0.2.

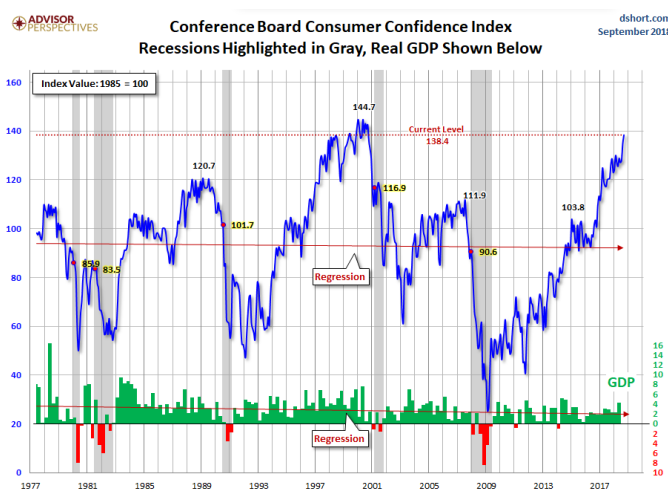
The US equity market was strong during the quarter while trade war and political uncertainty weighed on other regions. As economic growth remains robust and employment figures are reaching a record level in the United States, investors chose to ignore both the US tariff increases on Chinese Goods as well as the Federal Reserve's increases to interest rates. For the quarter, the information technology and healthcare sectors were strong, while the energy and material sectors were weak which in our opinion is mostly the result of the ongoing trade war. With the US equity market trading at a record high, the short volatility positioning in the market is also back at an all time high after being shaken earlier this year in February and March (based on the VIX data in the graph below). Consumer confidence levels are reaching an 18 year peak approaching its highest point in history (reached in 2000 - please refer to the graph below). Simply put, it was a tough quarter for hedge funds.

As we begin the fourth quarter, we strongly believe in our conservative positioning and are pleased to see it working well so far in October with the FG Alpha Fund up (estimated) while the S&P 500 and the Russell 2000 are down (net of fees as at October 15th). Please call us should you require additional information about October.

Net Positions on the VIX - Investors are Net sellers of volatility



US Consumer Index is near an all time high



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Q3 Review: Fund Positioning & Quarterly Attribution

The third quarter was disappointing with the strategy giving back hard-earned gains for the year. While the FG Alpha strategy generally maintains limited net market exposure (typically between +10%/-10%), we attempt to remain dynamic and adjust positioning depending on the market opportunities. As an example, the net exposure of the strategy was approximately -10% in January 2018 after a strong upward move in US equity markets at the end of 2017. This market rally led us to crystallize gains on our long positions and add to interesting short positions causing our net market exposure to decrease in February. As the US equity market went through a correction in February and March, we took profits on our short positions and found new long opportunities, reversing our net market exposure back to approximately +5% at the end of March.

The third quarter proved to be a strong period for US equities, and we once again began taking profits on our longs and adding to our shorts. These tactics resulted in a net market exposure of -8.8% during the third quarter and a net beta exposure of -0.16. This positioning proved to be challenging given the strong US equity market in the third quarter. Adding to the difficulties associated with our positioning, our stock selection was weak across the board in Q3 with our Alpha long positions detracting a gross return of 1.1%, our Alpha short positions detracting 1.9% and our portfolio hedges detracting 1.3%. While no single position generated outsized losses, our stock picking statistics were weak for the quarter (batting average of 53% and slugging average of 0.6). These statistics are quite similar to other tough periods for the Alpha Fund like during the strong US equity rally in Q4 2017. Unfortunately during the third quarter, the expected catalysts of our long positions did not bear fruit during the period, while conversely momentum in our short book continued to drive the prices and valuations higher.

Below is an example of a contributor and a detractor to the FG Alpha Fund during the quarter. For more detail on attribution, please do not hesitate to call the office.

Neogen Corporation (NASDAQ: NEOG)

Neogen develops products for food and animal safety. We initiated a short position at approximately \$80/share as we believed certain headwinds were near on the horizon: weak dairy markets, weak agricultural prices, and weakness in the global animal protein sector. The stock was also trading at a significant, and we believed unwarranted, premium with a P/E of over 70x. As the stock continued to rise after initiating the position, and upon further analysis and discussions with management, our conviction level increased, leading us to take the position size to a larger level. The company reported Q3 results recently reporting a significant revenue miss, confirming our investment thesis. The stock subsequently sold off by over 30% leading the fund to cover the position while contributing 10 gross basis points in Q3.

WD-40 Company (NASDAQ: WDFC)

WD-40 engages in the development and sale of maintenance products, homecare and cleaning products, widely known for their cans of lubricant. We have been short WD-40 for some time as it is a low growth business that had historically benefitted from the declining price of oil, which of course is the primary input in the production a can of WD-40. Gross margins of the company had reached a level, well above management's long term target, which caused the valuation to expand significantly, peaking at over 40x earnings. With the price of oil rising, the US dollar strengthening and elevated transportation costs, we believe pressure could build on margins, leading to a compression of valuation, closer to a targeted 20x multiple. The short position cost the FG Alpha Fund 23 gross basis points in Q3 however we remain confident in our short thesis on the position and continue to hold.

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Outlook

As we start the fourth quarter, we are maintaining our defensive posture with a view of remaining nimble in the current stock market environment. It is very difficult to know what combination of elements will cause the economy and equity markets to turn and at what time. In our discussions with management teams we have observed a common theme of growing operational costs, which we believe may impact margins going forward (increases in labor costs, interest rate expense, and input costs such as oil, steel and freight). We are reviewing individual positions in the book and are continuing to meet with company management teams in order to ensure that our investment theses are correct and to identify new opportunities long and short. While we do not believe we can time the market perfectly, our fundamental bottom-up stock picking approach has historically helped us thrive in late economic cycles that tend to be characterized by low equity market returns and higher than usual volatility.

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

On behalf of the team at Formula Growth, please allow us to take this opportunity to sincerely thank you for your continued support.

Formula Growth Limited

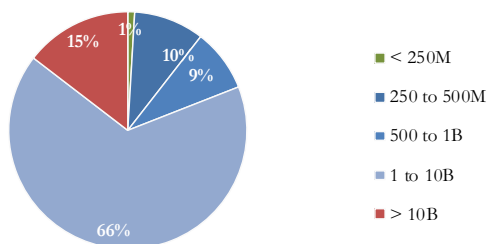
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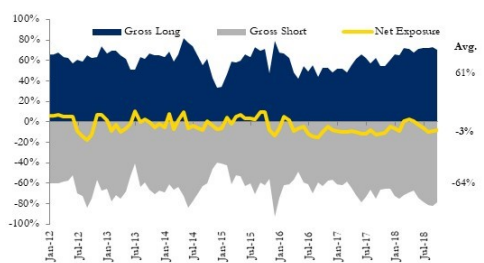
Market and Beta Exposure

	Jun-30	Q3 Avg.	Sep-30	2018 Avg.
Gross Long	72.4%	71.5%	70.1%	69.8%
Gross Short	(77.8%)	(80.3%)	(78.3%)	(74.5%)
Net	(5.4%)	(8.8%)	(8.2%)	(4.7%)
Total Gross	150.1%	151.8%	148.4%	144.3%
Net Beta	-0.12	-0.16	-0.16	-0.09

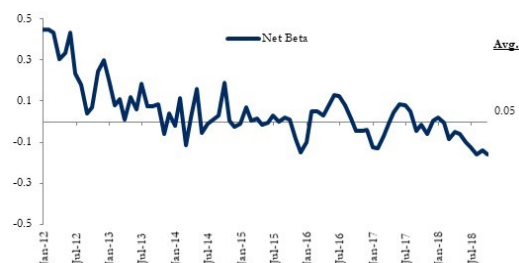
Market Capitalization Exposure Breakdown



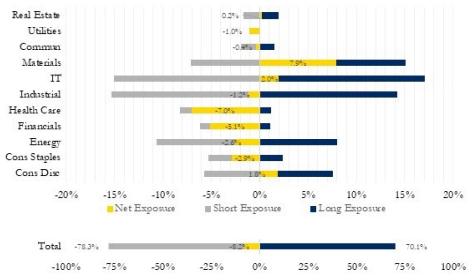
Portfolio Neutrality in Terms of Dollar Exposure



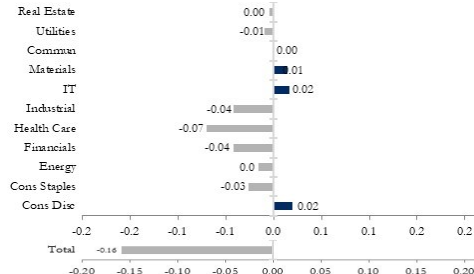
Portfolio Neutrality in Terms of Beta Exposure



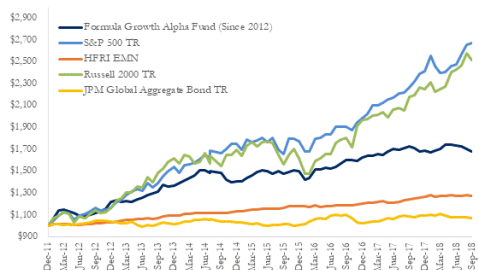
Sector Neutrality in Terms of Dollar Exposure



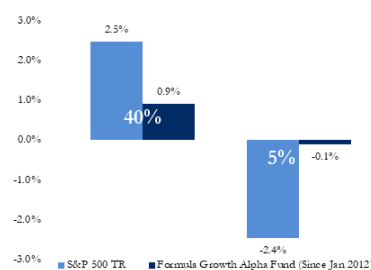
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Peers, Stocks and Bonds



Participation in Market Upside & Downside



Please see Notes & Disclaimers on page 5. Do not hesitate to contact us should you have any questions.

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- ◆ Alpha longs: An investment strategy which involves taking long positions in stocks that are expected (in the opinion of the managers) 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 (in the opinion of the managers) 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 stock/security 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 in a stock/security 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 or stock/security to offset and balance against the risk adopted by assuming a position in a contrary or opposing market or stock/security.
- ◆ Correlation: Correlation in the investment industry is a statistic that measures the degree to which two securities move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which has a value that must fall between -1 and 1. A perfect, positive correlation means that the correlation coefficient is exactly 1. This implies that as one security moves, either up or down, the other security moves in lockstep, in the same direction. A perfect, negative correlation of -1 means that two assets move in opposite directions, while a zero correlation implies no relationship at all.
- ◆ 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.
- ◆ HFRI Equity Market Neutral Index: The HFRI Equity Market Neutral Index consists of funds with net equity market exposure no greater than 10% long or short on average and it is denominated in U.S. dollar. Chicago-based Hedge Fund Research Inc. is a global leader in the creation of indexation and analysis of hedge funds.
- ◆ JPM Aggregate Global Bond Index: The JPM GABI consists of the JPM GABI US, a U.S. dollar denominated, investment-grade index spanning asset classes from developed to emerging markets, and the JPM GABI extends the U.S. index to also include multi-currency, investment-grade instruments. JP Morgan is a global financial services bank.

- ◆ Performance figures reported from January 1st 2014 onwards represent the US\$ net performance of the Formula Growth Alpha Fund (the "Fund") after all fees and other Fund expenses. Prior returns represent the US\$ net 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. The Formula Growth Alpha II L.P. was launched in May 2011. In January 2012, significant changes were made to the risk management and portfolio management guidelines. As risk management and portfolio management guidelines established in January 2012 are relevant only to the current strategy of the Formula Growth Alpha Fund, the statistics do not include the 2011 performance figures which are available upon request. In January 2014, the Formula Growth Alpha II Fund structure was changed from a Canadian Limited Partnership to a Canadian Mutual Fund Trust and the name of the fund was changed to the Formula Growth Alpha Fund.
- ◆ Gross portfolio returns discussed 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.
- ◆ Market index information shown herein, such as that of the S&P 500 TR, Russell 2000 TR, JPM GABI and HFRI EMN Indices, are included to show relative market performance for the periods indicated and not as standards of comparison, since these are unmanaged, broadly-based indices which differ in numerous respects from the portfolio composition of the Fund. Market index information was compiled from sources that Formula Growth believes to be reliable. No representation or guarantee is made hereby with respect to the accuracy or completeness of such data.
- ◆ The analyses, opinions, 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 and returns for individual securities, including ETFs, 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. Performance attributions should be considered approximations calculated to the best of our knowledge.
- ◆ Individual securities selected for discussions are not meant as a complete attribution of portfolio returns. The Manager can be contacted for more complete attribution.

- ◆ 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 letter/report. 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 include ETFs and should be considered as approximations 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 do not include ETFs and should be considered as approximations 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 Formula Growth Alpha Fund.
- ◆ The Fund's 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 advice or recommendations.