

Formula Growth Alpha Fund

Second Quarter 2019 Investment Results

Highlights:

- ◆ During the second quarter of 2019, the FG Alpha Fund had a net return of US\$ -1.0% while the total return of the S&P 500, the Russell 2000 and the HFRI EMN was US\$ +4.3%, US\$ +2.1%, and US\$ -0.4% respectively;
- ◆ Our recent assessment of economic data points combined with management meetings led to an increase in the number of new short positions. The portfolio is positioned defensively as we begin the third quarter;
- ◆ The FG Alpha Fund is so far generating +4.1% of alpha in 2019 despite a net short exposure to the market;
- ◆ The strategy has a compounded annualized net return of US\$ +7.2% since inception with a very low correlation to equities (daily correlation to the S&P 500 of 0.1 for 1 year, -0.1 for 3 years and 0.2 since inception in 2012).

Dear Investors,

During the second quarter, the US equity markets generated a positive return and the S&P 500 reached an all time high. In fact, the S&P 500 gained more than +18% since the start of the year, resulting in its best performance in the first half of a given year since 1997. The technology sector, particularly the mega-cap stocks including Apple, Microsoft, Amazon, and Facebook, led the market higher. These 4 stocks account for over \$3.5 trillion of market cap or roughly 12% of the S&P 500. Their performance so far in 2019 was disproportionately strong accounting for 25% of this year's gain in the S&P 500 index and approximately 22% of the gain over the past 5 years. As a small-mid cap strategy, we have not benefited from the move in these mega-cap stocks. The smaller-cap Russell 2000 index nonetheless rose +17.0% so far this year but is still -9% below its all time high underperforming the S&P 500 since this last summer.

The US equity markets have been quite volatile over the past 9 months. After a very challenging Q4 in which the S&P 500 and the Russell 2000 experienced a drawdown of -19% and -25% respectively, the Federal Reserve took a more dovish stance and the market staged a very powerful rally during the first 4 months of 2019. In May, Trump's escalation of the trade war with China caused another smaller sized correction but June resumed the uptrend in large part due to expectation of the Fed easing. Recent concerns around downside risks to the economic outlook has prompted the Fed to voice its willingness to support the economy (i.e. its willingness to cut rates). The global growth slowdown has led interest rates in Australia, Britain, Germany and Japan to experience lower yields on their government bonds. Astonishingly, according to the New York Times, the value of "negative" yielding bonds around the world hit \$13 trillion at the end of June. The yield on the 10-year Treasury note has flirted with the 2% level for some time now and the US 3-month treasury bills are currently paying a higher yield than a government bond that is due in 10 years, a phenomenon known as an inversion. Inversions are unusual and generally considered a precursor to recessions or economic slowdowns.

The FG Alpha Fund is so far generating +4.1% of alpha in 2019 despite a net short exposure to the market. The Alpha strategy began in January 2012 and has generated positive returns in every year except for 2018. It has also realized its target net return of 5-7% almost every year while at times far exceeding it for a compounded annualized net return of US\$ +7.2% and volatility of +7.0% since inception. Importantly, this return was achieved with very little (if any) exposure to the market. For example, this year's net return of +4.1% was realized entirely through stock selection while our average net exposure to the market was -5.7% (with a net beta of -0.05). Finally, the daily correlation of our strategy with US equity indices is close to zero suggesting that our return is not dependent on the US equity markets. The daily correlation of FG Alpha Fund to the S&P 500 TR is a marginal 0.2 over 1 year, 0.1 over 3 years and 0.2 since inception. Such attributes, we believe, are hard to find and important to the composition of a portfolio.

Fund Positioning & Attribution

During the second quarter, our alpha long positions contributed +1.2% while our alpha shorts and portfolio hedges detracted a similar amount from gross performance. In terms of the best and worst performing sectors, industrials (+1.7%), consumer discretionary (+0.6%) and communication services (+0.2%) contributed the most while healthcare (-1.2%), financials (-0.7%) and

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energy (-0.6%) were the largest detractors from the portfolio's gross return.

Our strategies were positioned defensively in the months of May and June. Our investment team traveled extensively following the Q1 corporate earnings announcements in April and May and met with many management teams. Despite the significant market correction in May, we found it difficult to identify long positions with enough upside to fit our investment criteria. On the other hand, our team added many alpha short ideas, companies that we believe are overvalued and facing potential downside. In fact, our recent meetings with management teams concluded that business is slowing in many sectors of the economy such as industrials, transport, commodities, as well as large ticket consumer items. A number of new short positions entered the portfolio recently and the Q2 earnings, beginning in the next few weeks, will be a very important period for us. Q1 earnings had many of our short positions decline between -10% and -20% after announcing weak earnings and/or guidance; we believe this new reality will persist and lead to a more balanced contribution between our long and our short positions to total returns.

Outlook

As we begin the third quarter, our focus remains on quarterly earnings while not losing sight of global macro elements such as a more dovish Fed, the continuing trade war between the US & China, and the 2020 election that is rapidly approaching. We will remain disciplined respecting our fundamental bottom-up approach to generate non-correlated alpha.

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

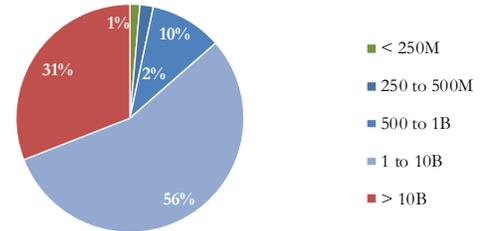
Formula Growth Alpha Fund
Class F (US\$) Monthly and Year-To-Date Net Returns (US\$ Returns)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	5.6%	0.7%	(1.1%)	0.7%	(1.6%)	(0.1%)							4.1%
2018	(1.3%)	1.0%	1.2%	2.1%	(0.2%)	(0.1%)	(0.8%)	(1.4%)	(1.3%)	(0.5%)	0.1%	(3.0%)	(4.1%)
2017	1.0%	(0.4%)	1.3%	(0.6%)	1.7%	1.3%	(0.2%)	0.7%	1.1%	(0.9%)	(2.0%)	0.8%	3.9%
2016	(5.4%)	1.4%	5.2%	0.2%	0.7%	(0.6%)	1.3%	1.8%	2.4%	0.0%	(0.8%)	2.2%	8.4%
2015	0.1%	2.5%	1.4%	2.3%	1.0%	(0.7%)	(1.1%)	1.4%	(1.3%)	0.6%	1.2%	(0.4%)	7.1%
2014	1.6%	2.2%	1.4%	1.4%	3.4%	0.0%	(1.3%)	1.1%	(1.2%)	(4.4%)	(1.2%)	0.0%	2.7%
2013	1.1%	(1.1%)	0.8%	(0.8%)	2.1%	1.1%	1.8%	1.1%	1.5%	4.6%	(0.9%)	0.3%	11.9%
2012	7.0%	6.6%	0.9%	(1.6%)	(1.5%)	(1.8%)	0.1%	0.7%	1.4%	0.9%	2.2%	5.5%	21.9%

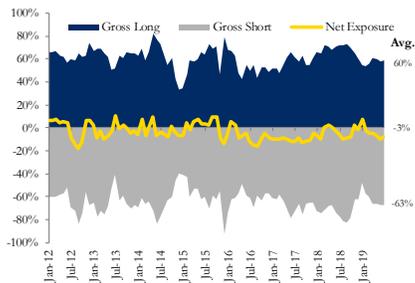
Market and Beta Exposure

	Mar-31	Q2 Avg.	Jun-30	2019 Avg.
Gross Long	61.0%	56.9%	58.9%	55.6%
Gross Short	(65.8%)	(65.2%)	(66.9%)	(61.3%)
Net	(4.7%)	(8.3%)	(8.0%)	(5.7%)
Total Gross	126.8%	122.1%	125.8%	116.9%
Net Beta	-0.01	-0.07	0.06	-0.05

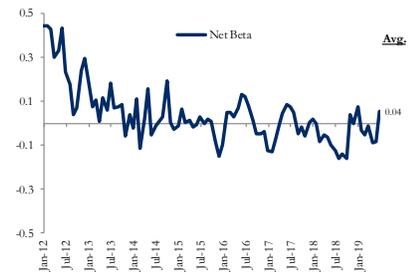
Market Capitalization Exposure Breakdown



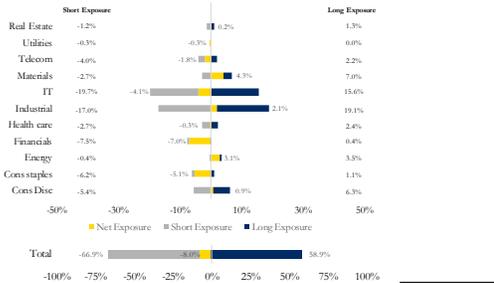
Portfolio Neutrality in Terms of Dollar Exposure



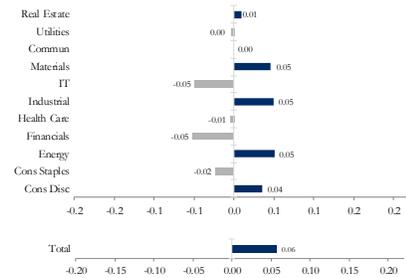
Portfolio Neutrality in Terms of Beta Exposure



Sector Neutrality in Terms of Dollar Exposure



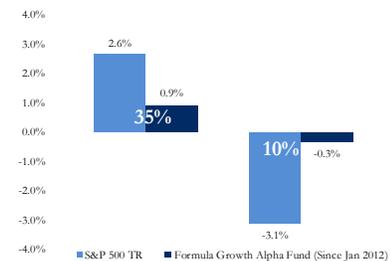
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Peers, Stocks and Bonds



Participation in Market Upside & Downside



Graphs above are either as at June 30th 2019 or since inception of the strategy. Please see Notes & Disclaimers on page 5. 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 (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 current month’s HFRI EH: EMN return is that of the HFRX EH: EMN which is used as a proxy for the HFRI. For more information regarding the indices, please consult <https://www.hedgefundresearch.com>.
- ◆ 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/allocation. 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.