

Formula Growth Alpha Fund

Fourth Quarter 2020 Investment Results

Highlights:

- ◆ FG Alpha Fund had a net return of US\$ +1.5% for the quarter and US\$ -4.4% for the year;
- ◆ While the Alpha Long portfolio did well during the year, our hedges and Alpha Short portfolios were costly, especially during the unprecedented US\$ +31% Q4 performance by the Russell 2000;
- ◆ Our investment team has historically done well on the Short side and we expect to get back on track in 2021;
- ◆ 2020 is only the second down year over the 9 year history of the strategy. Since inception, the FG Alpha Fund generated an annual net return of US\$ +5.7% while maintaining a daily correlation of 0.2 to U.S. equities with low volatility.

Dear Investors,

There is no doubt the year 2020 will be considered memorable and unpredictable. The pandemic and resulting health crisis affected everyone somehow, creating unique challenges for individuals, businesses and governments. The year brought unprecedented challenges with governments everywhere imposing strict lockdowns to buy time for the health care systems that were being overwhelmed. These measures effectively pushed the world's major economies into self-induced recessions. However, swift and aggressive policy support by the governments and central banks has helped to prevent a full-blown financial crisis. Medical breakthroughs, especially by vaccine manufacturers, bring hope for the future.

The U.S. equity market ended the year on a strong note despite the fact many countries reported all-time high Covid-19 cases, ultimately shutting down their economies once again in late December. The market appears to be largely focused on the prospects of a brighter economic outlook driven by vaccine rollouts though recent coronavirus trends continue to worsen and restrictions in activity have been re-imposed. The quarter also experienced surging public offerings (IPOs and SPACs) with Airbnb and DoorDash, two of the largest, rising sharply once trading began. The pendulum of investor sentiment has clearly swung from fear of losses to fear of missing out.

Q4 & 2020 Performance

We cannot help but notice how unusual the year was for equity markets. After losing up to -40% from peak levels, U.S. equity markets saw a historically quick snap-back rally with several mega cap stocks driving outsized returns for the year: Tesla +743%, Enphase +572%, Peloton +434%, Moderna +434%, Sunrun +402%, Zoom Video +396%, along with many others. The record US\$ +31% quarterly performance by the Russell 2000 ended the year with a bang. This "fear of missing out" crushed the short and hedge positions of many managers, including ours.

For the year, FG Alpha generated strong returns from our long portfolio, ETF/basket hedges served their purpose, but the short portfolio was particularly difficult:

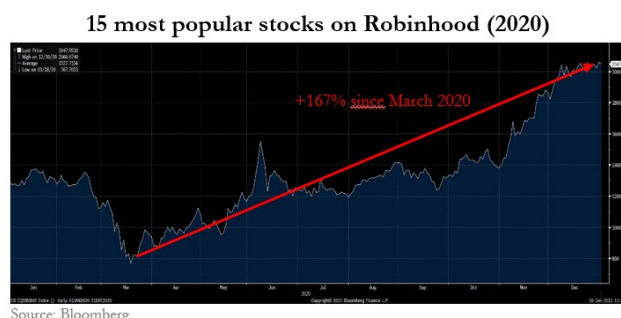
- The long portfolio generated a return of +19.1% on an average gross net long exposure of +54.7% this year, this effectively means our average long position gained nearly +35% while the Russell 2000 index gained +20%. Our fundamental bottom-up process looks for stocks offering "GARP" (Growth At Reasonable Price) and drives the construction of our long and short books. Lately, our long portfolio has had a small value orientation which was additive in the 4th quarter and we believe it still has significant upside.
- ETF/basket hedges served their purpose of reducing volatility and lost -10.4% for the year on an average gross short exposure of -28%. Hedges are a tool in our strategy that we use to make sure the portfolio is well balanced maintaining a +/-10% net exposure and 0.1 beta for each sector we invest in. A large proportion of these hedges were technology focused, used to balance off our very profitable technology sector weighting this year.

Formula Growth Alpha Fund Fourth Quarter 2020 Investment Results

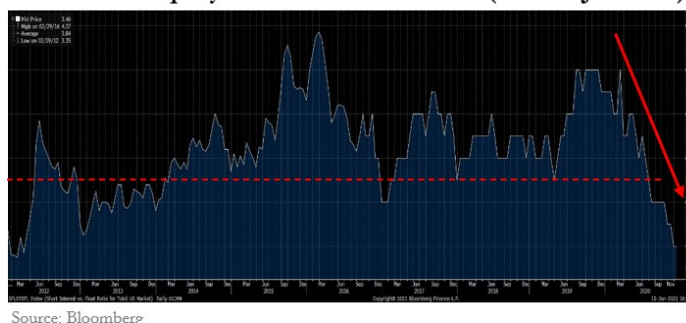
- Alpha Short positions were however very costly in 2020 costing -12.7% on an average gross exposure of -32%. This effectively means on average our shorts lost approximately -40%, unprecedented for the strategy. The Alpha Short portfolio of the strategy was historically strong, generating absolute gains during 4 of the past 8 years of the bull market. Cumulatively for the first 8 years of the strategy, the Alpha short book was marginally down -1.7% while the Russell 2000 gained +152%. The losses of our short portfolio in 2020 is, we believe, a giant anomaly and we expect to do well with these short positions in 2021. The new reality of working from home boosted business for many of the hottest stocks in 2020 but we believe a vaccine will alter this new reality.

	2012	2013	2014	2015	2016	2017	2018	2019	2012-2019	2020	2012-2020
FG Alpha Short portfolio Gross Performance	2,0%	-2,0%	0,5%	5,1%	-3,0%	-2,5%	2,2%	-3,6%	-1,7%	-12,7%	-14,2%
Russell 2000 Index	16,4%	38,8%	4,9%	-4,4%	21,3%	14,7%	-11,0%	25,5%	151,6%	20,0%	201,9%

Most U.S. stocks are now trading above their all-time highs, the 15 most popular stocks in Robinhood were up +167% since March, and total U.S. equity market short interest is at its lowest point since 2012. We expect the unprecedented low level of short interest to revert to more normal levels leading to healthy gains for our short portfolio.



Total U.S. Equity Market Short Interest (2012 to Jan 2021)



The end of 2020 marks the 9th anniversary of the FG Alpha strategy. In establishing the FG Alpha strategy, our objectives were threefold: target a net annualized return of 5% to 7% through a full market cycle, offer returns that maintain a very low correlation to the US equity market while protecting capital in difficult equity markets. We believe we have delivered all of these objectives since inception: FG Alpha Fund generated gains 7 out of 9 years with an annual net return of US\$ +5.7% while maintaining a daily correlation of 0.2 to U.S. equities with low volatility. While the primary objective of the FG Alpha strategy is to generate returns in all market environments, we see tremendous value in our portfolio and expect to generate healthy returns in 2021.

Outlook

As we begin 2021, our base case is that vaccines will allow for a progressive reopening of the economic sectors under lock down. With less fear of being infected, people will return to shops, restaurants, hotel and travel. This will lead to further improvement in consumer and business sentiment and employment. All of which should lead to better aggregate corporate profit growth for 2021 and 2022 helping to support stock prices. However, it is very likely we see lumps and bumps along the way to this rosy scenario. We expect volatility in all markets to remain high making our core skill of active stock picking long and short critical.

Though the markets have rebounded strongly off the March lows, it would be unusual for a quick reversal to a bear market when earnings are rising and interest rates are so low. More likely there will be pauses, pull backs and corrections. Equities are well supported because simply put, alternative investments like bonds, offer paltry returns and other assets like commercial real estate, have their own set of pandemic issues.

The greatest risk for stocks remains an uncontrolled jump in interest rates from either an over heated economy or reflation. Too quick an adjustment in rates will hurt P/E ratios, particularly the valuation of the high fliers. There are other worrying signs. Among these concerns are very expensive stock valuations in the technology sector, stocks crowded with retail investors (Robinhood type platforms), large amounts of new equity supply via new issues (IPOs and SPACs). We expect to be active around this volatility. Fortunately, our small-cap hunting ground for stocks has little to do with the crowded, high priced favorite stocks. We believe our disciplined approach of only investing in growth at a reasonable price should generate healthy returns while our short portfolio, composed of overpriced stocks facing very high expectations by the street with no room for disappointments.

The populist measures that have been enacted to battle widening economic inequalities in the wake of the pandemic will result in large debt loads. Around the world policy makers have concluded they have little choice but to borrow and spend if they want to minimize fatalities. The payback of post pandemic spending will likely be a combination of increased taxation, GDP growth, rising savings, and inflation. Growth and reasonable inflation are typically good for stocks while taxation and saving can act as an anchor, slowing commerce down. Time will tell which of these we rely upon to pay the piper. Much will depend upon the approach of elected officials around the globe. In the US, the election results changing the Administration and deadlocking the Senate was a victory for moderation. President Biden and his team will need finesse to manage a polarized United States.

For obvious reasons there will be no "Outlook" meeting held this year. Should you have any questions, please do not hesitate to communicate with us. We would be happy to speak with you in any fashion you prefer (voice, virtually, email, etc.). In closing, we hope that you and your families are healthy and safe.

Yours truly,

Formula Growth Limited

Formula Growth Alpha Fund

Fourth Quarter 2020 Investment Results

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

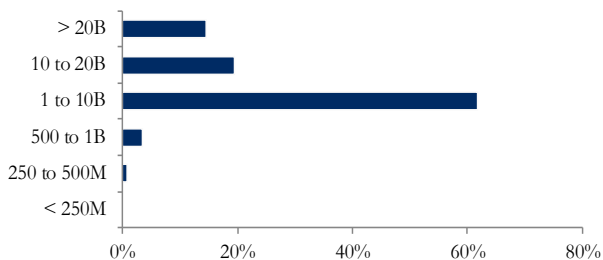
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.1%	(1.2%)	(8.2%)	4.9%	0.8%	0.2%	0.5%	(2.4%)	(0.1%)	1.6%	1.3%	(1.4%)	(4.4%)
2019	5.6%	0.7%	(1.1%)	0.7%	(1.6%)	(0.1%)	(1.7%)	(0.7%)	4.3%	1.0%	(0.3%)	(0.5%)	6.2%
2018	(1.3%)	1.0%	1.2%	2.1%	(0.2%)	(0.1%)	(0.8%)	(1.4%)	(1.3%)	(0.5%)	0.1%	(3.0%)	(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%

Formula Growth Alpha Fund Fourth Quarter 2020 Investment Results

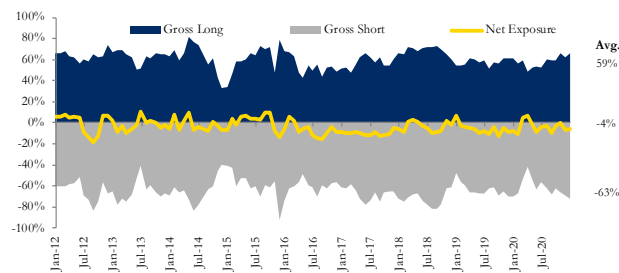
Market and Beta Exposure

	Sept-30.	Q4 Avg.	Dec-31.	2020 Avg.
Gross Long	59.5%	63.8%	66.1%	54.7%
Gross Short	-60.0%	-68.7%	-72.4%	-60.1%
Net	-2.5%	-4.9%	-6.3%	-5.4%
Total Gross	121.5%	132.5%	138.5%	114.7%
Net Beta	0.01	-0.05	-0.14	-0.03

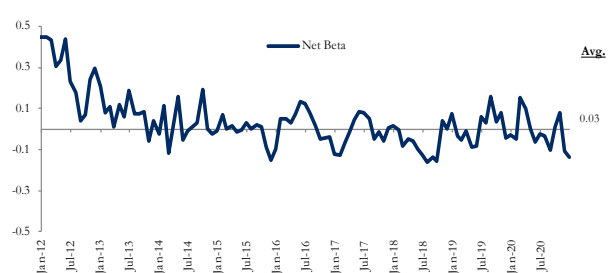
Market Capitalization Exposure Breakdown



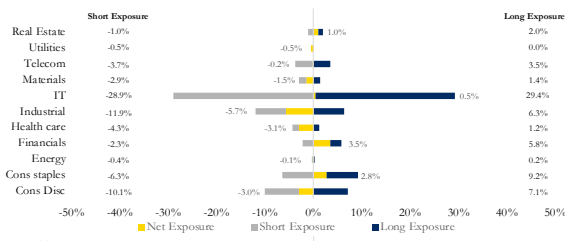
Portfolio Neutrality in Terms of Dollar Exposure



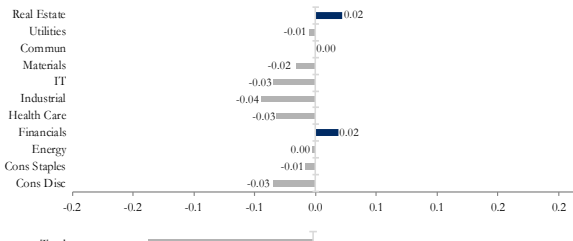
Portfolio Neutrality in Terms of Beta Exposure



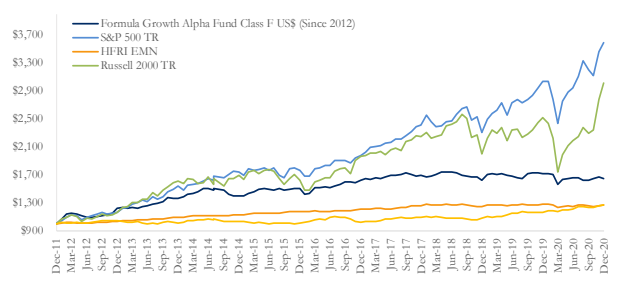
Sector Neutrality in Terms of Dollar Exposure



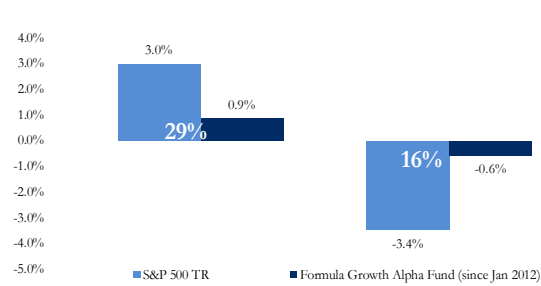
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Peers, Stocks and Bonds



Participation in Market Upside & Downside



Graphs above are either as at December 31st 2020 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.