FORMULA GROWTH
1960 - 2020 Celebrating 60 Years

Formula Growth Alpha Fund

First Quarter 2021 Investment Results

Highlights:

- FG Alpha Fund had a net return of US$ +7.9% for the quarter
- US stock markets were generally strong but volatile in the 1st quarter with cyclicals leading the way
- The virus and variants remain a wild card for investment risk with further stock market volatility expected
- Necessary monetary support and stimulus investments continue globally at unprecedented levels making higher bond yields an investment risk
- The risk/reward environment for equities is not what it was 6 months ago, and as such we are conservatively positioned

Dear Investors,

US stock markets were generally strong in the 1st quarter of 2021. The benchmark S&P500 was up 6.2% with cyclical stocks like the Dow Transports leading the way at +17% with small-caps, for example the Russell 2000 up +12.7%. Laggards were large-cap growth and technology stocks (NASDAQ 100), up +2% and most stocks associated with the stay-at-home theme. The Formula Growth Alpha Fund had a solid 1st quarter up +7.9%, ahead of the S&P500 Index with lower volatility.

Tailwinds from global reopenings managed to offset concerns over rising new coronavirus cases, disrupted global trade, and the potential for higher taxes. All of this comes despite a "variant" induced 3rd or even 4th wave that is underway around the world. Thankfully, the average rate of inoculation, at least in the US, is exponentially outpacing the rise in new cases. Nevertheless, the virus and its variants remain a wild card for investment risk with further stock market volatility expected as headlines ebb and flow. We will watch hospital utilization trends carefully but feel vaccine ramp ups trump new case growth.

1st Quarter Performance

We were pleased with our portfolio performance attribution. The short side of the portfolio for the 2nd half of 2020 was a particularly frustrating period as an unprecedented V-shape recovery, along with a fear of "missing out" mentality, drove stock speculation. This crushed the short and hedge positions of many hedge fund managers, including ourselves. The new reality of working from home boosted business sky high for many of the hottest stocks in 2020 as investors anchored their views that acorns could in fact grow to the sky. We believe that as the pandemic burns out through vaccines and immunity, many of these high-flying stocks will come back to earth and investors' appetite will broaden. As we described at the end of last year, we believe losses on our short book in 2020 were a giant anomaly given that, in 4 of the first 8 years of the strategy, the Alpha Fund short book generated absolute profits, and from 2012 to 2019 cumulatively showed a modest loss of -1.7% while controlling volatility, compared with an increase of 152% for the Russell 2000 over that same period.

Many investment ideas that were planted last year bore fruit during Q1. On the long side, corporate earning beats confirmed our investment theses for many positions, leading to strong profits, while our short positions fared relatively well. During the quarter, the FG Alpha Fund generated gross gains from alpha long positions of +985 bps, while alpha shorts virtually broke even in the quarter at -20 bps, and hedges detracted -200 bps from gross performance. In terms of the best and worst performing sectors, information technology was clearly the best, as four of our top stocks were from this sector. The top 5 stocks in the portfolio contributed about +335 bps of gross performance in the quarter, while the bottom performers lost -155 bps.

We believe the return stream from our book will revert to more traditional levels for the Alpha Fund as equity markets normalize, leading to a more balanced contribution between our long and our short positions to total returns. The FG Alpha strategy generally maintains limited net market exposure (typically between +10%/-10% and a net beta of approximately 0) yet we remain dynamic by adjusting our gross and net positioning depending on market opportunities.

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Outlook

The cyclical bias of recent months is likely to be maintained in the months ahead, driven by companies with strong fundamentals and earnings. Since October, investors have gravitated towards the riskiest segments of the market with high beta stocks the beneficiaries. It is typical in a maturing business cycle to see a shift from early-stage, growth sensitive industries, to more mature cyclicals. In other words, initially those stocks exhibiting the most downward volatility bounce back the hardest as an economic recovery stabilizes.

This is well illustrated below in a chart from Tony Pasquariello of Goldman Sachs that we think is very interesting. It shows the tremendous move since the end of the 3rd quarter for a basket of stocks most exposed to the pandemic (GSXUPAND – the blue line) compared to a basket of stocks levered to the stay-at-home theme (GSXUSTAY – the white line) expressed as a ratio versus the S&P500. Clearly these trades did exactly what you'd expect them to do, however, it is how much these spreads have narrowed in recent months that is particularly interesting.

Monetary policy support and the new Biden fiscal stimulus infrastructure spending continues at unprecedented levels. The bill for new spending and the last 12 months of deficit financing will be large and the debate on how to pay the piper will be intense. It is no different in other countries. In the US, government revenue needs will be likely funded by higher corporate taxes (rising to 28% from the current 21%) and an increase in the top rate for individuals to 40% from 37% with a potential capital gains tax upon "death". Proposals such as these could raise $1 trillion over 10 years according Tax Policy Center analysis. But passage of these tax initiatives in the US are anything but certain as is their impact on economic growth once passed. Given this, borrowing is the probable path forward to fill global fiscal deficits over the near term. To most politicians for now it will represent the most palatable choice.

Therefore, we believe that borrowing demand or crowding out, coupled with strong economic growth could push benchmark yields beyond 2% and perhaps towards 3% with negative implications overall for equities and bonds. Pandemic spending is absolutely necessary and infrastructure spending by governments is long overdue, but any worthwhile investment comes with a price tag. We believe in this case it will be higher bond yields.

Choppy will be the watch word for the balance of the year. Our feeling is reflation takes hold as April and May exhibit booming US economic activity making comparisons for the balance of the year more difficult. The risk/reward environment for equities is not what it was 6 months ago leading to more tactical and conservative positioning. We feel we are well positioned to weather these cross currents with our strategies.

Concluding comments

As we begin the 2nd quarter, US stocks remain in a bull market. Global central bank money printing continues to keep bond markets relatively sanguine and stocks rising. It is our feeling that the US stock market, along with many global bourses likely need a period of consolidation. Stocks are reflecting a typical post recession recovery where a P/E rise or other valuation metrics have driven much of the upside. Our view at this juncture is any future upward move will require commensurate increases in earnings to back fill higher valuations. The multiple expansion part of the post recession equity market rise is likely over; meaning a sideways consolidation pattern is in store. This fits well with our bottoms up, research intensive process that focuses on long and short "stock picking" as we comb through the small and mid cap markets for the best ideas. We continue to find compelling investments, both long and short in 2021.

Over the past quarter, Mathieu Boisvert, Vice President, Business Development and Charles Haggar, Vice President and Senior Portfolio Manager have departed Formula Growth. We are pleased to tell you that we are well underway in the search for a new Head of Business Development and due to our long-standing team approach to portfolio management we have quickly and seamlessly allocated Mr. Haggar's stock positions to other team members. Our current team of Portfolio Managers is our strongest ever with almost 200 years of collective experience and everyone is committed to our core values of integrity, honesty and excellence.

The end of 2020 also marked 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
- Protect capital in difficult equity markets

We believe we have delivered on all these objectives since inception: FG Alpha Fund generated gains 7 out of 9 years with an annual net return of US$ +6.4% while maintaining a daily correlation of 0.2 to U.S. equities with low volatility. We believe our first quarter results of up +7.9% are simply another building block on our way to completing our 10th year of the strategy. While the primary objective of the FG Alpha strategy is to generate returns in all market environments, we feel we are in good position to take advantage of market opportunities and as always, we are excited about the next decade.

In closing, on behalf of the entire team at Formula Growth, we would like to take this opportunity to sincerely thank you for your continued support. Should you have questions please do not hesitate to communicate with us directly.

Yours truly,

Formula Growth Limited

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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
2021	2.9%	3.3%	1.4%										7.9%
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%

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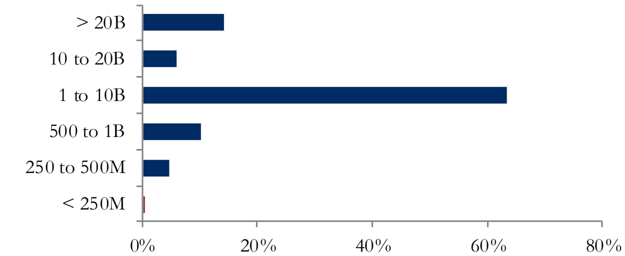
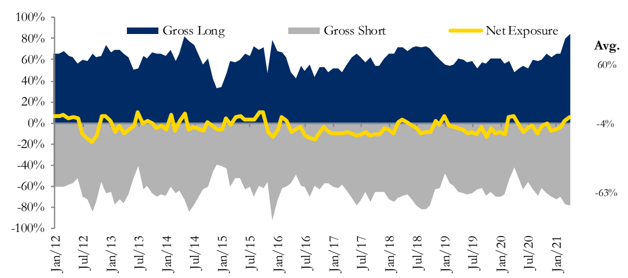
Market and Beta Exposure

	Dec-31.	Q1 Avg.	Mar-31.	2021 Avg.
Gross Long	66.1%	73.5%	84.0%	73.5%
Gross Short	-72.4%	-73.1%	-78.1%	-73.1%
Net	-6.3%	0.4%	5.9%	0.4%
Total Gross	138.5%	146.5%	162.1%	146.5%
Net Beta	-0.14	-0.09	0.01	-0.09

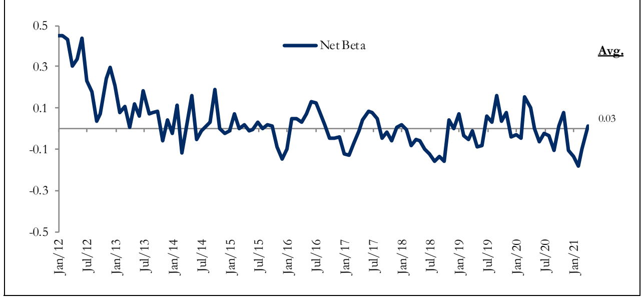
Market Capitalization Exposure Breakdown



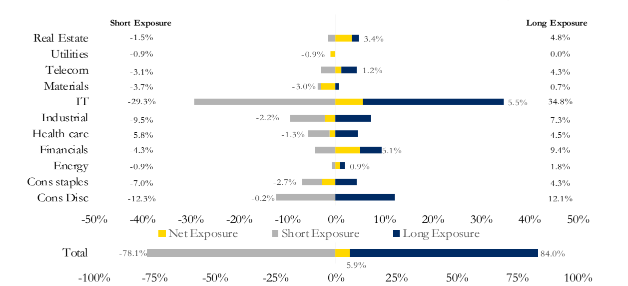
Portfolio Neutrality in Terms of Dollar Exposure



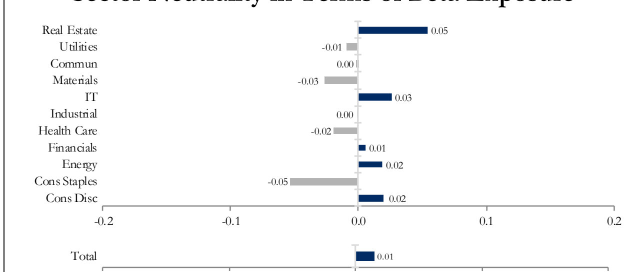
Portfolio Neutrality in Terms of Beta Exposure



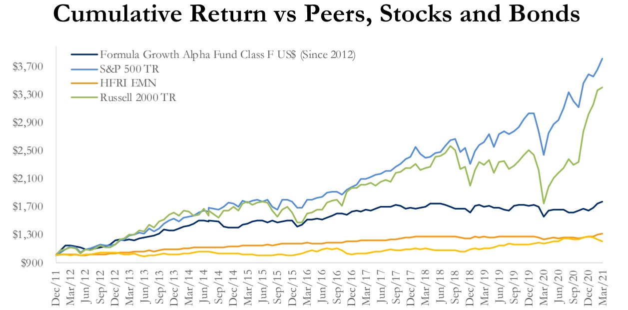
Sector Neutrality in Terms of Dollar Exposure



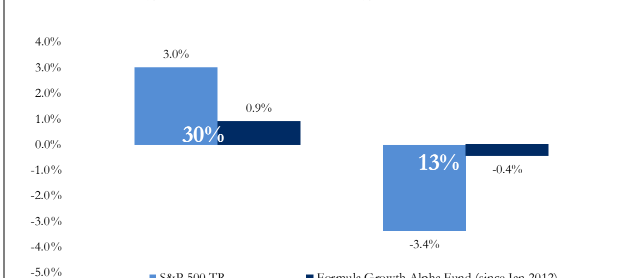
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Peers, Stocks and Bonds



Participation in Market Upside & Downside



F O R M U L A   G R O W T H

Graphs above are either as at March 31st 2021 or since inception of the strategy. Please see Notes & Disclaimers on page 5. Do not hesitate to contact us should you have any questions.

Glossary of Terms

- 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.

Notes & Disclaimers

- 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/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.

Notes & Disclaimers

- 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.
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