July 15th, 2022

Formula Growth Alpha Fund

Second Quarter 2022 Investment Results

FORMULA GROWTH LIMITED

Highlights:

- Volatile bear market intensifies during the 2nd quarter for most asset categories including equities and fixed income, FG Alpha Fund protected year-to-date
- Federal Reserve pivots aggressively raising rates to combat inflation
- Pandemic bubbles deflating along with economic growth expectations
- Stock valuations re-setting lower creating opportunities, especially for small cap growth stocks

To all Investors,

At the half way point of 2022, it is clear that the markets are in the midst of a full-fledged bear market. Markets are off to their worst start since at least 1970, with the S&P 500 peaking in January and falling 20% in 6 months. The damage has of course hit small capitalization stocks harder as people retreat to perceived areas of safety. The sell off is broad and severe, with every sector down except energy.

Segments of the market such as fixed income, known to provide stability in difficult and volatile times, were quite frankly terrible. One would have to go back to the 18th century to find a period of such underperformance in the first half of the year for the bond market. Bonds are particularly sensitive to inflation and interest rates which are going against them. Credit spreads, an indicator of risk, have risen but no major credit issues have yet manifested.

Attribution

For the first half of 2022, the Formula Growth Alpha Fund ("FGAF") was down 6.3% U.S., net of all expenses, while the total return of the S&P 500 and the Russell 2000 was negative, down 20.0% and 23.4%, respectively. The JPM Global Aggregate Bond Index was down -13.6% during the first half. Sectors heavily influenced by technology and growth stocks like the NASDAQ were very hard pressed down 29.5%. Similarly, the Russell Growth Index (RUO) was down 29.7%.

Essentially the second quarter was dismal for most investors. The long book of FGAF was not immune during the 2nd quarter. Solid profits from shorts and hedges could not offset the losses on the long side. After being big winners over the past couple of years, our overweight of technology-oriented longs were hit hard. This handful of stocks accounts for most of the damage in Q2. In all cases, we have revisited our investment thesis on these positions with the management teams running the companies and have made appropriate adjustment to our position exposure, including increasing hedges, where we felt warranted. We feel confident about the opportunity the exposure in these positions represent as we begin the 2nd half.

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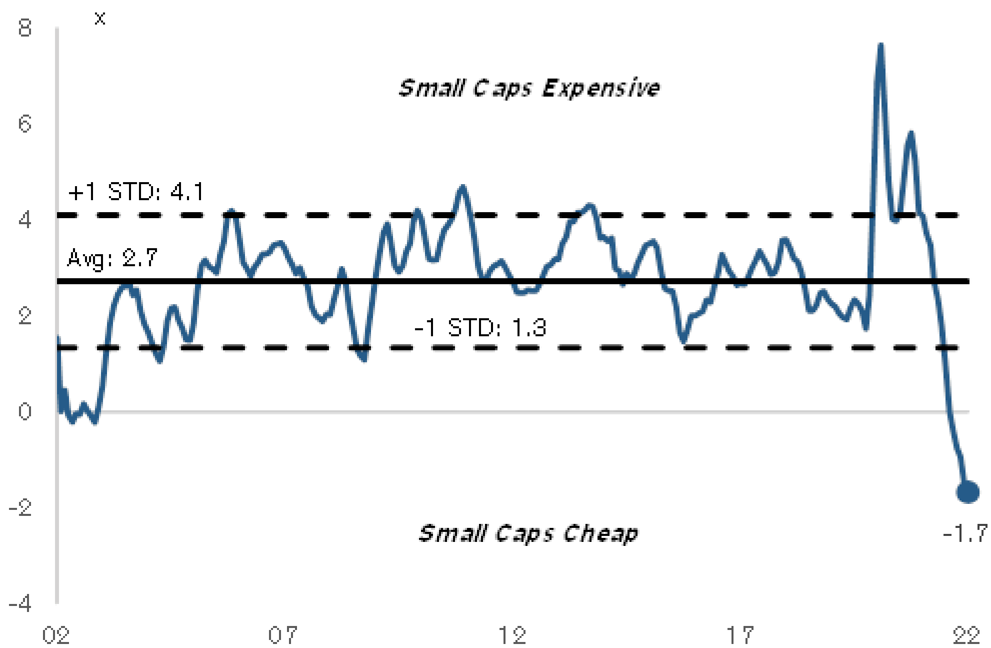
Given the carnage, small caps, especially growth stocks, are trading at an attractive valuation relative to large caps as can be seen in the chart below. We will continue to be disciplined in our bottoms up investment approach when building the portfolio's exposure. We will also ensure we have catalyst driven well-honed target prices, both long and short, in this volatile environment with appropriate hedges where warranted.



Source: Credit Suisse

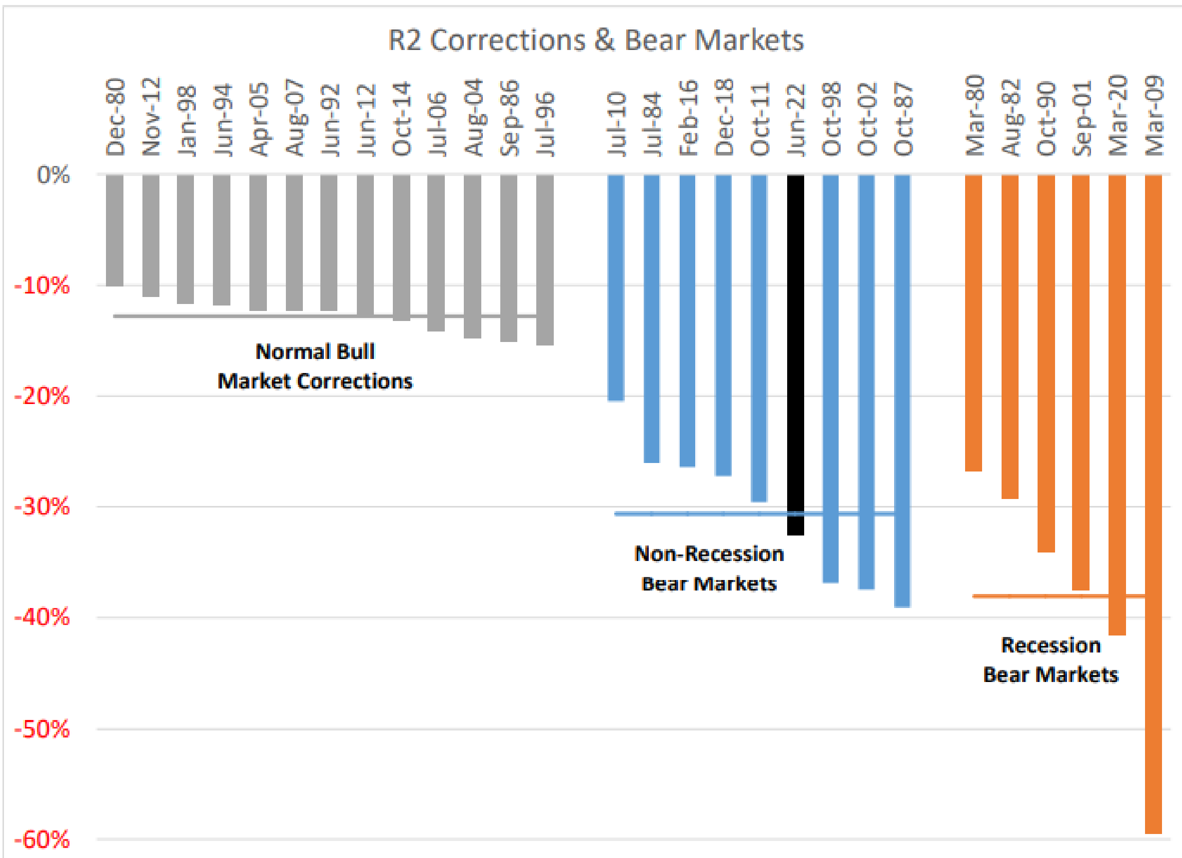
<u>The 2022 Markets</u>

One would be excused for feeling like nothing is working in their investment portfolios. The list of problems is long and coming into clearer focus daily. The tragic war in Ukraine persists with risks of escalation in the back of our minds. Inflation is at 40-year highs and is particularly painful as rising prices of food and energy essentially "tax" the consumer. Central banks began tightening as early as last winter and now the U.S. is catching up with three rate hikes so far, and promises of more to come before year-end. One can expect the benchmark 10-year rate to be close to 3.5% by January 2023.

All this pressures the consumer and businesses alike. The Fed has to control inflation and they are rapidly raising interest rates just as the economy slows down after the Covid-19 bubble pops. The winding down of government spending to prop up the absence of demand in 2020/21 along with near zero interest rates created an "all" asset bubble that is in the process of deflating. The consumer was the bright light until recently. Thanks to stimulus checks and artificially low spending on services, the average consumer's balance sheet was repaired with debt down to levels not seen since the 70s. Their portfolios and homes never worth more.

The cracks however are beginning to show with consumer and business sentiment near all time lows. Extravagant fiscal and monetary policy resulted in collective over spending, especially on goods, during the pandemic. Inventories are now building and we are hearing of retailers being awash in product with faltering demand. The stock markets began discounting this slow down in the economy during Q4 2021, with small cap growth stocks peaking last November. It took longer for the large caps to succumb, but they have, along with the bond market. The Table below from Furey Research shows just how difficult of an investment climate it has been this year for the Russell 2000.

Fig 20. **The R2 had corrected more than 30% by mid-June**



Source: FRP, FactSet; as of 6/30/22

Outlook

We can expect further volatility. The market has delivered over 2.5% moves daily on 20% of the days thus far in 2022. That is 2.5x normal volatility. Earnings estimates will likely come down thanks to recessionary pressure, inflation and higher rates. Inflation likely recedes during the second half of 2022 and 2023 as demand declines and global supply chains reset back to more normal patterns. Once the Fed eases off rates, we should begin to see relief and the market likely will bottom and reset for the next cycle. Mid-term elections are this fall and we will

While not exactly similar to the 2000 recession, one can look at parallels between then and now. The recession in 2000 was mild and largely tied to corporate profit declines after a period of massive demand from internet infrastructure build out and information technology spending ahead of the year 2000 calendar change or "Y2K" spending. This time is reminiscent due to the pandemic's high demand from consumers while working from home. Corporate earnings have yet to be revised down broadly, which is likely the next shoe to drop. We can expect a rather volatile earnings period in Q2/Q3 reports as the market incorporates new guidance from management teams. We feel stock prices reflect most of the bad news.

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

Yours truly,

Formula Growth Ltd.

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
2022	2.0%	(0.2%)	1.1%	(3.0%)	(1.8%)	(4.4%)							(6.3%)
2021	2.9%	3.3%	1.4%	(0.4%)	0.8%	2.9%	(1.8%)	(1.0%)	0.1%	(3.5%)	(3.1%)	(1.2%)	0.2%
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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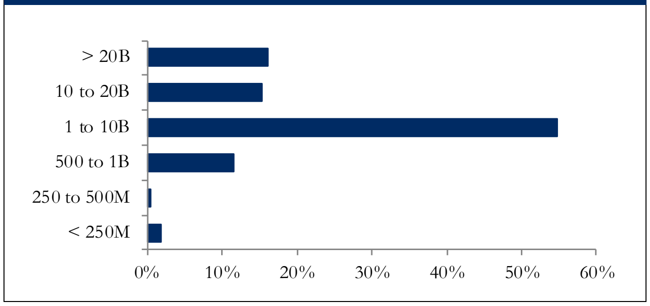
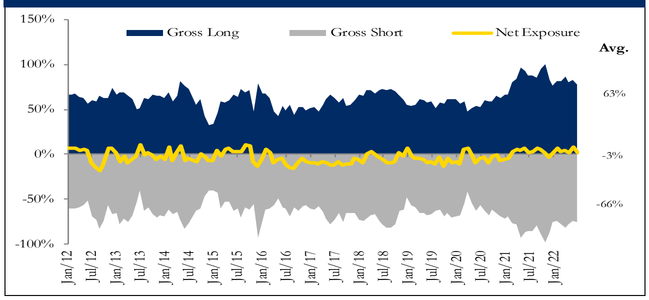
Market and Beta Exposure

	31-Mar	Q2 Avg.	30-Jun	2022 Avg.
Gross Long	86.7%	81.6%	77.5%	81.3%
Gross Short	-82.4%	-72.6%	-75.8%	-72.0%
Net	4.3%	9.0%	1.7%	9.3%
Total Gross	169.1%	154.2%	153.3%	153.3%
Net Beta	0.15	0.19	0.11	0.19

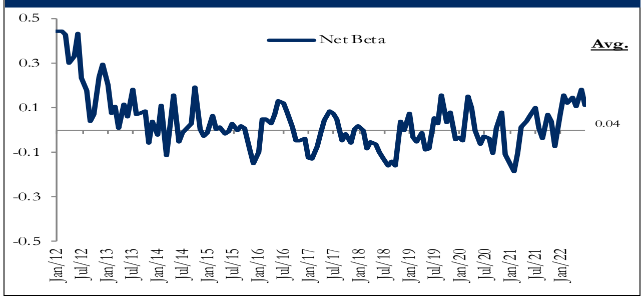
Market Capitalization Exposure Breakdown



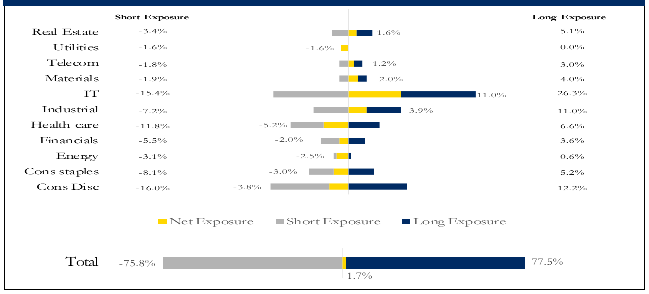
Portfolio Neutrality in Terms of Dollar Exposure



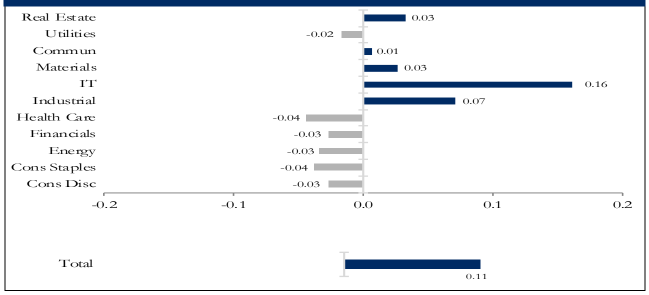
Portfolio Neutrality in Terms of Beta Exposure



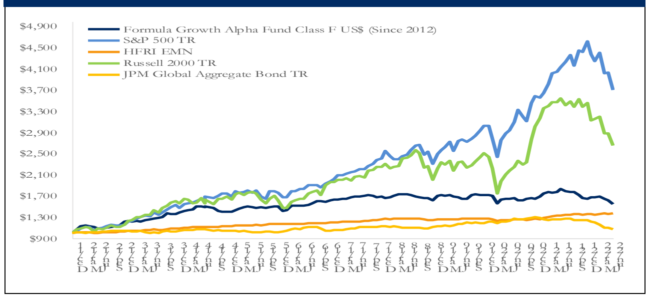
Sector Neutrality in Terms of Dollar Exposure



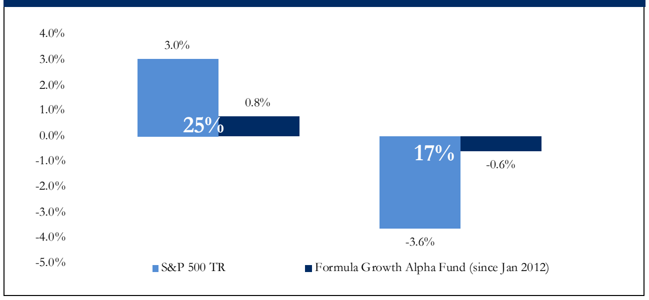
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Peers, Stocks and Bonds



Participation in Market Upside & Downside



Graphs above are either as at June 30th, 2022 or since inception of the strategy. Please see Notes & Disclaimers on page 5. Do not hesitate to contact us should you have any questions.

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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.

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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.

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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