

Formula Growth Alpha Fund

Q1 2023 Investment Results

Highlights:

- ♦ Very solid performance for the fund in Q1 2023, losses well controlled
- ♦ Small-cap stocks, especially growth, are showing signs of overdue strength
- ♦ Technology stocks rebound
- ♦ Inflation moderating and the U.S. economy proving resilient

Dear Unitholders,

We are pleased with the FG Alpha Fund's performance of +6.5% in US dollars for the first quarter. This is well ahead of our peers with the average Equity Market Neutral Hedge Fund manager up about +0.6% (HFRI Equity Market Neutral). It was a solid quarter for the fund and a good first step towards recovery for equities from last year's declines amid continued doomsday headlines.

2023	FGAF Net of Fees (US\$)	Market Indices (US\$)		
		Russell 2000 TR	JPM Global Aggregate Bond Index	HFRI Equity Market Neutral
1st Quarter	6.5%	2.7%	3.1%	0.6%
YTD	6.5%	2.7%	3.1%	0.6%

Fund Positioning and Attribution

The first quarter of 2023 offered some relief to equity investors, largely due to a rapid rebound in the mega-cap Tech companies. The fund's returns were broad-based as we had contributions from a wide swath of the portfolio including technology, health care, transportation, and financial services. Our top 10 winners averaged 60-70bps each.

On a gross basis, our long book increased approximately 1050bps led by technology and communication stocks. These very strong profits were offset by about 400bps of shorts and hedges. Though our shorts and hedges were unprofitable during the quarter, they allowed us to control risk well in what proved to be a tumultuous quarter. Losses were very well controlled with only 2 shorts losing 80bps which were offset with profitable positions on the long side. Gross exposure moved higher during the quarter with an average of

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183%, closing at 200% on March 31st with a net exposure of 1%.

The Nasdaq composite index closed out its best quarter since 2020, buoyed by mega-cap Tech company stocks being levitated by lower-than-expected interest rates. The Nasdaq gained 16.8% for Q1 2023. The broader S&P 500 was also lifted by the same technology sector, adding 7.5% in the Q1.

Without the performance of a handful of mega-cap stocks (Microsoft, Apple, Tesla, Google, and Facebook), the S&P 500 and the Nasdaq would have been up approximately just half as much for the quarter. The influence these 5 stocks have on US stock market returns continues to be profound. These five stocks represent over \$7 trillion of stock market value or about 20% of the S&P 500 Index. Without the tailwind of these stocks, the smaller and more balanced Russell 2000 index of small-cap companies was up 2.7% in Q1 2023. Likewise, the equal-weighted S&P 500 ETF (RSP) was up just 2.4%.

The Markets and Outlook

The market shook off a dreadful 2022 to rebound strongly in January 2023. By mid-February, the market shifted to a more corrective tape as signs of inflation persisted. The reason was a more hawkish tone from the Federal Reserve signaling more rate hikes, abruptly stopping the rally. The quarter was about to end with what appeared to be a repeat of the "Great Financial Crisis" from 2008/09, with a smattering of high-profile banking collapses. Headlining the crisis was Silicon Valley Bank and the 166-year-old Credit Suisse. They were both erased from the map in just a few days due to a run on deposits.

Yet just as the quarter closed the market began to rally again, finishing off strongly with investors surmising that bad news was in fact good news. Given the bank crisis, consensus became the Fed would soon shift to a more dovish stance. Nevertheless, if the problems in regional banks and real estate persist, then the negative repercussions could be significant.

While uncertainty remains around the general macro environment, 2023 is shaping up as a more productive environment for stock picking. Below the surface, smaller stocks are cheap as they have underperformed the large-cap segment of the market for over a decade. The performance gap between large-cap and small-cap likely closes as the valuation for small stocks rerates from 14x earnings to a multiple closer to the S&P 500 at 17.5x. More recently, growth stocks have outperformed value with a +6.7% relative return (Morgan Stanley). In fact, growth stocks just had their best monthly performance versus value stocks on record since 1975 (Bloomberg).

At various times over our 63 years, we have seen tight monetary policy hammering small growth stocks disproportionately. When the tide turns and the Fed stops tightening, small-cap growth outperforms. We are well positioned with longs that reflect this environment, ready for a re-rate upwards, and an offsetting interesting alpha short book and hedges in case of a downward reversal.

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Conclusion

The market has priced in a great deal of negativity. From our perspective, barring an external negative shock, we are likely nearer to the end of the bear market than the beginning. We expect further earnings pressure as we lap pricing gains from inflation and bake in a higher cost environment to our models. We also feel this is now being highly telegraphed by management teams to Wall Street as they talk down guidance. We feel Investors will soon begin to cast their views to 2024's earnings and growth and will be buoyed by what they see. Inflation is showing some signs of moderation and markets have priced in an end to rate hikes sometime soon. The tight labor markets have allowed the consumer to remain employed (despite some tech layoffs in the news) which is helpful to cushion downside in the economy. Absent any new financial shock/crisis, it is likely consumer and corporate cash with healthy balance sheets make any recession a soft one. Cross currents will be the norm as we continue through the year giving rise to continued volatility that the Alpha Fund is positioned for.

We invite you to reach out to us to discuss your investments with our team regarding returns, portfolio positioning, and attribution. 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 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
2023	5.2%	0.6%	0.7%										6.5%
2022	2.0%	(0.2%)	1.1%	(3.0%)	(1.8%)	(4.4%)	(1.3%)	0.1%	(3.2%)	(1.3%)	(2.2%)	1.9%	(11.9%)
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%

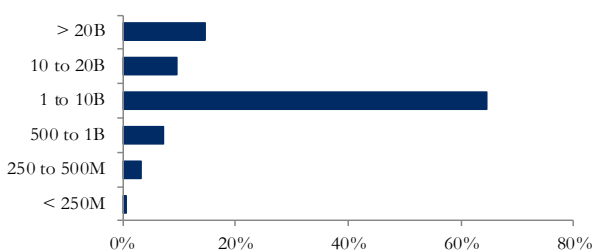
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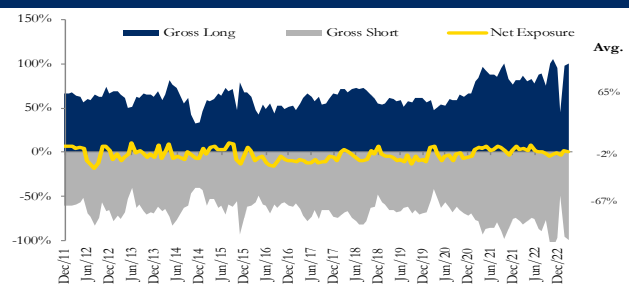
Market and Beta Exposure

	31-Dec	Q1 Avg.	31-Mar	2023 Avg.
Gross Long	95.8%	91.9%	100.2%	91.9%
Gross Short	-96.9%	-90.7%	-99.5%	-90.7%
Net	-1.1%	1.2%	0.7%	1.2%
Total Gross	192.7%	182.6%	199.8%	182.6%
Net Beta	0.07	0.09	0.07	0.09

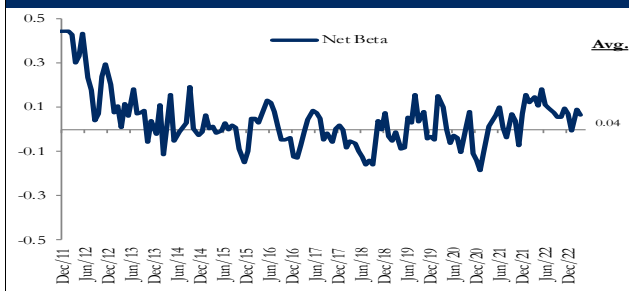
Market Capitalization Exposure Breakdown



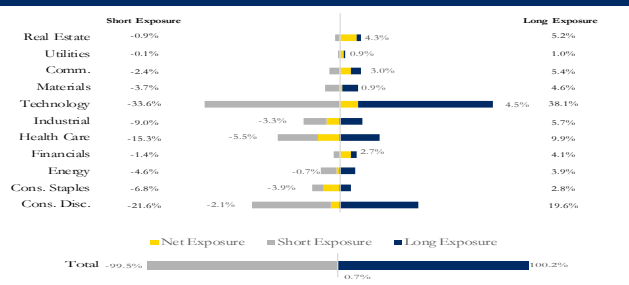
Portfolio Neutrality in Terms of Dollar Exposure



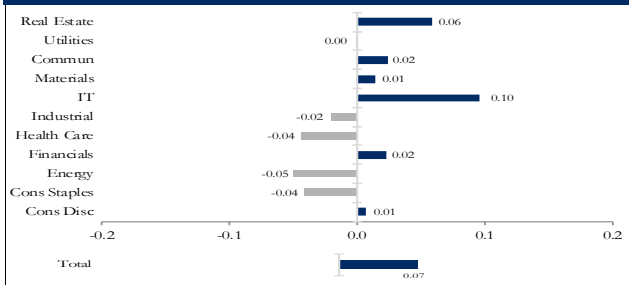
Portfolio Neutrality in Terms of Beta Exposure



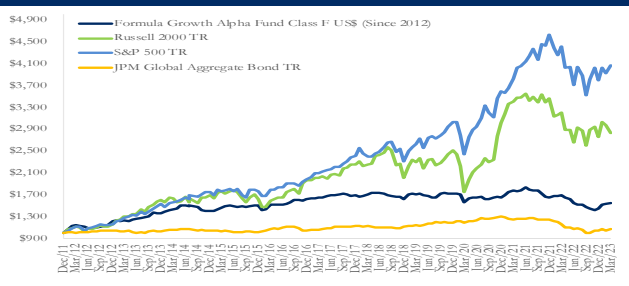
Sector Neutrality in Terms of Dollar Exposure



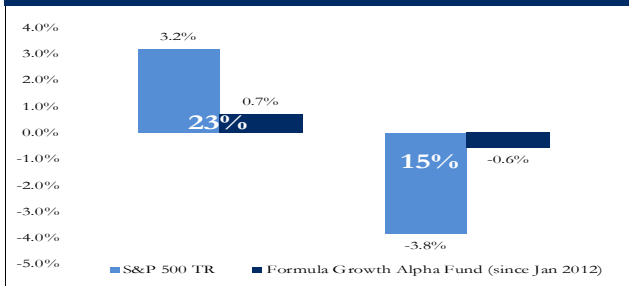
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Stocks and Bonds



Participation in Market Upside & Downside



Graphs above are either as at March 31st, 2023 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.

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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