January 17th, 2024

Formula Growth Alpha Fund

2023 Investment Results

Highlights:

- Strong year for the FG Alpha Fund up 10%, significantly outperforming its hedge fund peers
- Much of the 2023 large-cap stock excess return is due to the "Magnificent-7"
- Small-cap is well positioned for 2024 on relative earnings, valuations and a change in sentiment yet volatility will remain
- As rates fall the setup looks good for an actively selected portfolio of well hedged small and mid-cap stocks

Dear Unitholders,

The Formula Growth Alpha Fund increased by 10.0% in U.S. dollars net of fees during 2023. This was significantly ahead of its HFRI Equity Market Neutral peers up 5.9%.

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%	0.8%
2nd Quarter	-0.7%	5.2%	-1.1%	0.6%
3rd Quarter	-3.2%	-5.1%	-3.5%	2.7%
4th Quarter	7.5%	14.0%	7.8%	1.7%
YTD	**10.0%**	**16.9%**	**6.1%**	**5.9%**

Fund Positioning and Attribution

On a year-to-date basis, we saw meaningful contribution from our long positions with approximately 2700 basis points (bps) of gross return. Shorts and hedges detracted about 1700 bps. As expected, a handful of individual long positions from the Technology sector, that were unprofitable in 2022, rebounded significantly in 2023 adding to the Fund's gains. Unlike 2022, the Technology sector was a very strong performer during 2023 contributing around 1200 bps. The balance of the year's return was broadly based from the 10 other stock sectors.

On an individual stock basis, the top 10 winners during the year averaged 120 bps of profits, the largest of which gained 154 bps. All were longs with three from the online space (media, real estate, and retailing), one transaction processor and one lending company, with the other 5 coming from the software space. The top 10 losers lost 1600 bps with most from sector hedges. The other 3 losing positions were split between longs and shorts with the largest loss being a software long position at just over 100 bps.

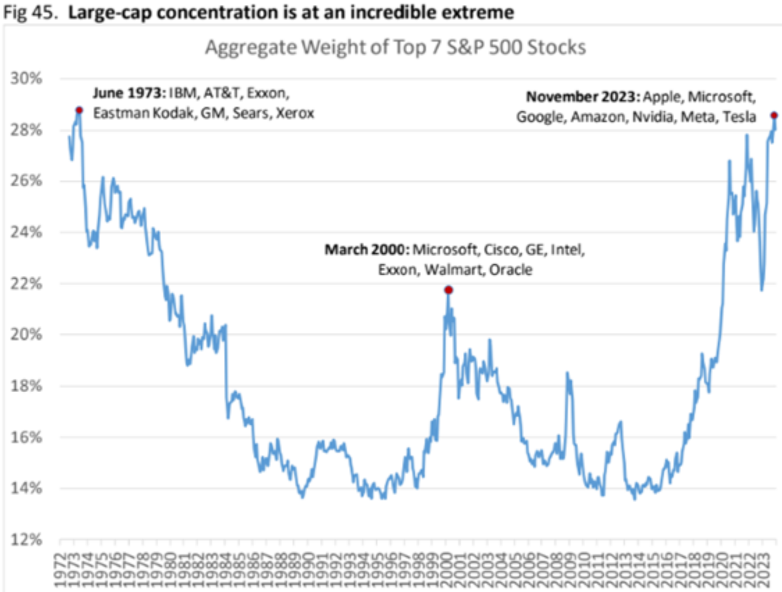
Net exposure moved a little lower during the quarter averaging 7% over the quarter, ending December 31st at 3%, down from 7% at the end of the 3rd quarter. Gross exposure slightly increased from 199% to 205% at year end.

The Markets in 2023

About half of the gains in the S&P 500 Index were driven by just 7 mega-cap technology stocks known as the "Magnificent-7" (Apple, Microsoft, Nvidia, Amazon, Meta, Google and Tesla). Without these 7 stocks, the "S&P 493" would have been up less than the Russell 2000 or just 13.7%. The size and positioning of the Mag-7 was stretched last year by investors who feared missing out on the artificial-intelligence boom. The 7 stocks represent to many investors the sweet spot at the center of large-scale technology being fueled by all things AI.

Two of the Magnificent 7 stocks, Apple and Microsoft, are now almost \$3 trillion each in size. Three trillion dollars is larger than the entire Canadian stock market and larger than the 2000 stocks that make up the Russell 2000 small-cap index – our investment universe. Though not as heavy a weighting as Nortel represented in the Toronto Stock Exchange back in the day (it was 33%), the Magnificent 7 represent 28% of the S&P 500.

Fig 45. Large-cap concentration is at an incredible extreme



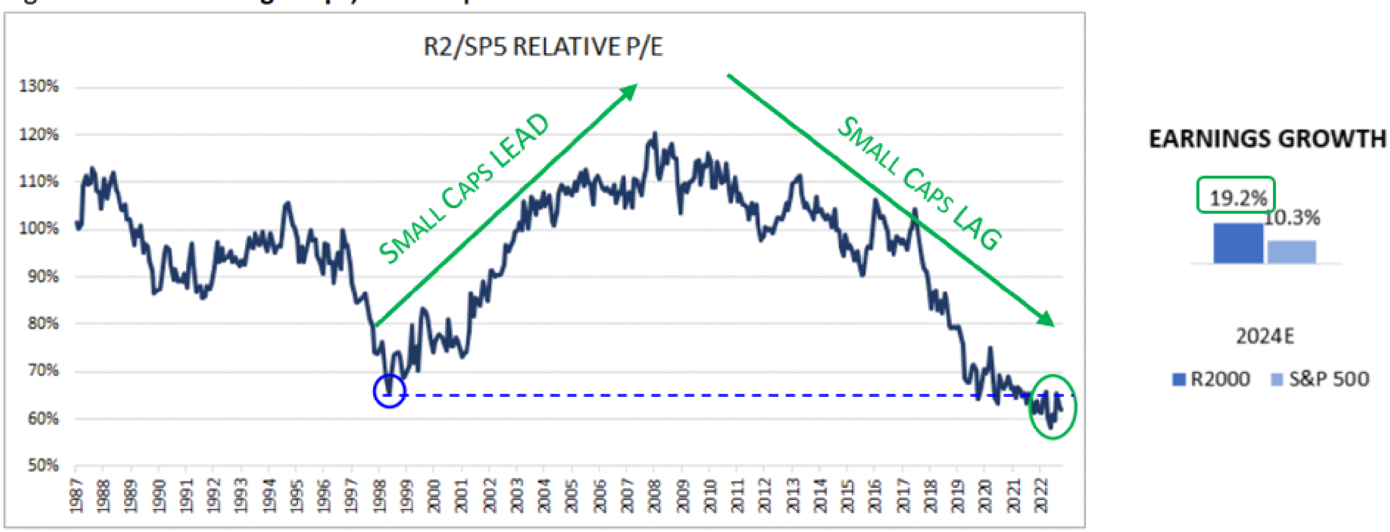
Source: FRP, FactSet; as of 12/29/23

The effect that these 7 stocks have in concentrating the index composition is important in other ways as well. Many investors look to what they think are broad-based ETFs to diversify and reduce risk. The top 5 ETFs that represent the U.S. market have an aggregate market cap of almost \$2 trillion and they too are heavily reliant on the Mag-7 (SPY, IVV, VOO, VTI and QQQ). These 7 stocks have become the life blood of the very large passive investment industry as well.

No tree grows to the sky, as such it is likely that the outperformance of the Mag-7 has run its course. The popularity of this trading strategy has stretched valuations while the law of large numbers is causing growth rates to slow for each of them. We do not expect a sharp down draft in the Magnificent-7 similar to the collapse of Nortel but instead a slow leak of market-cap as investors hunt around for new ideas. Even a slow leak from the market-cap of the Magnificent-7 and passive ETFs will represent large buying power for smaller stocks. Another source of funding will come from falling interest rates as 2023 money market inflows of $1.2 trillion become outflows in 2024.

Hopefully all of this buying power helps to create greater interest in the small-cap space and turns the tables on a long multi-year stretch of large stocks beating small. At this point, small-cap valuations are at historic lows (left chart) and consensus earnings growth for small-caps (right chart) is much higher. This is a great setup for future small-cap performance.

Fig 91. **Relative to large-caps, small-caps have never been more attractive than of late**



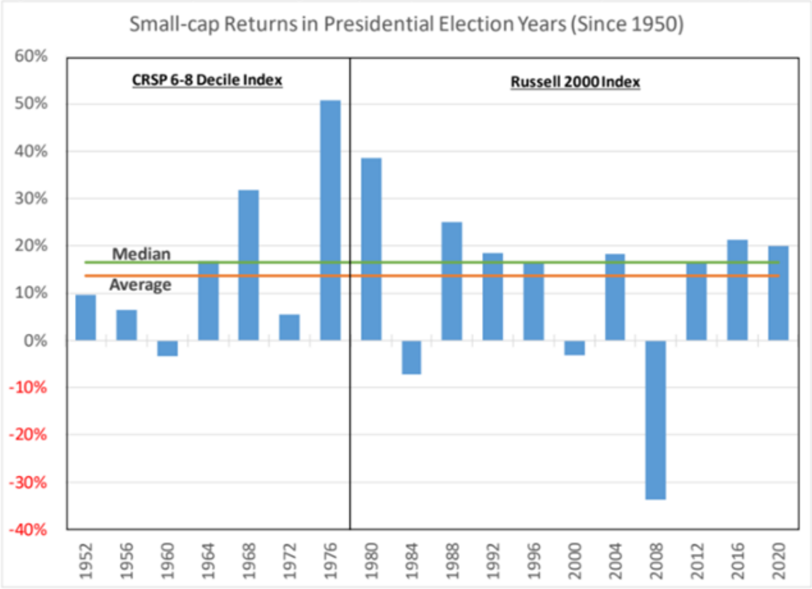
Source: Furey Research Partners and FactSet

Outlook

Our expectation is for a far better macro backdrop in 2024 than 2023. In our view, interest rates and financial conditions should ease as inflation continues to track lower. A significant recession is unlikely though job losses will increase as corporate America rationalizes margin structures and right sizes. As the year unfolds, especially in the 1st half, it is reasonable to assume that the stock market will remain skittish. Worries about the Federal Reserve cadence, with respect to rate declines, as well as more clarity on whether corporate earnings can rebound in 2024, will pre-occupy investors.

Geopolitical events will also add to the wariness surrounding equities. This includes a great deal of noise from elections being held around the world this year. Mike Wilson of Morgan Stanley notes that 41% of the global population representing 42% of global GDP will be going to the polls in 2024. First up was Taiwan this past week. No less controversial will be an interesting U.S. presidential election cycle. Given the mountain of legal troubles for Mr. Trump and the age of President Biden there will be plenty of fireworks. Strangely, even with all of the usual noise, U.S. election years are typically positive.

Fig 13. **There has only been a single very bad presidential election year for small-caps since 1950**



Source: FRP, FactSet; as of 12/29/23

Bottom line, given this wall of worries, we expect a volatile but profitable year for small-cap stocks. In an environment of heightened volatility, individual stock returns are more dispersed putting an emphasis on stock picking. We think the stage is set for a protracted period of small-cap outperformance in a lower rate environment. We think small-cap earnings momentum and relative cheap valuations wins out, helping to change sentiment and broadens investors appetite towards small-cap. Our portfolio is well positioned but as always, the key to our success will be our holdings delivering on expectations and being hedged to neutral to manage risk and generate alpha.

We invite you to reach out to us to discuss your investments with our team regarding returns, portfolio positioning, and additional attribution detail.

On behalf of the officers and employees of Formula Growth, allow us to take this opportunity to sincerely thank you for your continued support. Please also accept our best wishes for a healthy, happy and prosperous 2024.

Yours truly,

Formula Growth Limited

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Formula Growth Alpha Fund

2023 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
2023	5.2%	0.6%	0.7%	(0.3%)	1.5%	(1.8%)	1.6%	(2.3%)	(2.5%)	(1.4%)	4.2%	4.5%	10.0%
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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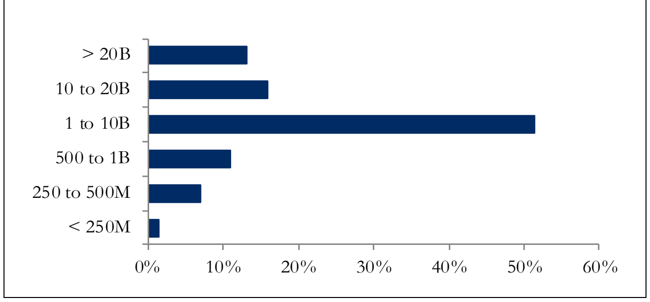
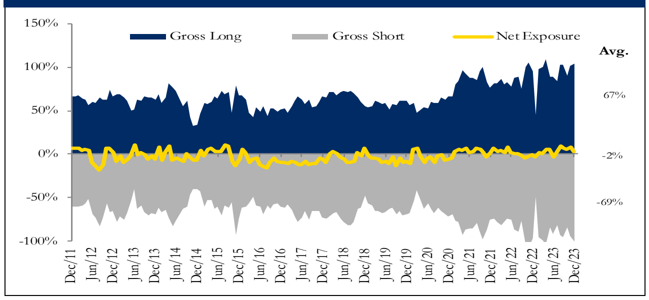
Market and Beta Exposure

	30-Sep	Q4 Avg.	31-Dec	2023 Avg.
Gross Long	102.8%	98.7%	103.7%	98.3%
Gross Short	-95.7%	-92.2%	-100.9%	-94.5%
Net	7.1%	6.5%	2.8%	3.8%
Total Gross	198.5%	190.9%	204.7%	192.8%
Net Beta	0.15	0.15	0.12	0.12

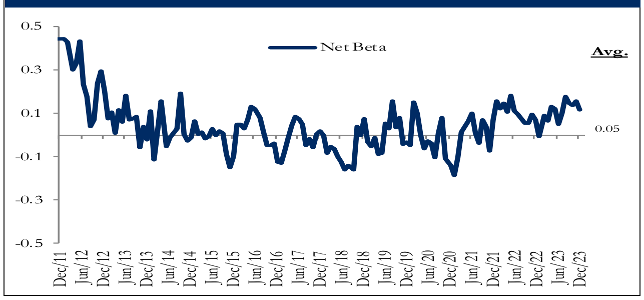
Market Capitalization Exposure Breakdown



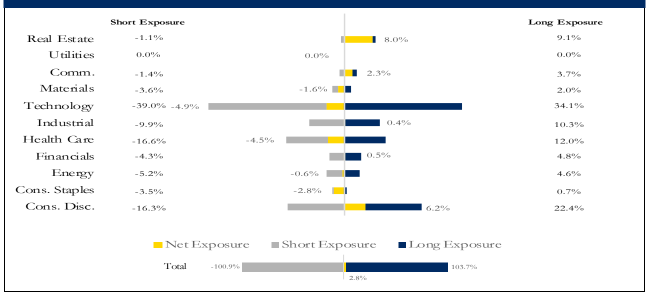
Portfolio Neutrality in Terms of Dollar Exposure



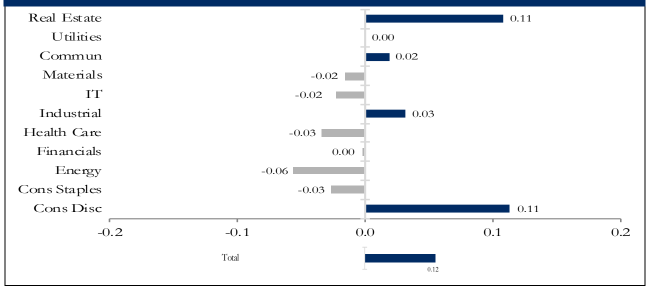
Portfolio Neutrality in Terms of Beta Exposure



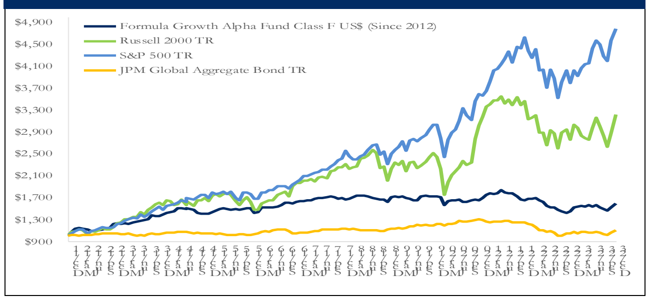
Sector Neutrality in Terms of Dollar Exposure



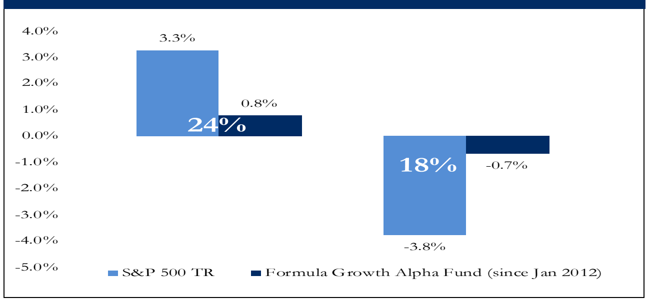
Sector Neutrality in Terms of Beta Exposure



Cumulative Return vs Stocks and Bonds



Participation in Market Upside & Downside



Graphs above are either as at December 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.

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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.

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- 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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