

FORMULA GROWTH

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

DECEMBER 31, 2019

FORMULA GROWTH FUND

INCEPTION DATE

JUNE 30, 1960

PORTFOLIO MANAGEMENT TEAM

FORMULA GROWTH LIMITED

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 514-288-5136, by writing to us at 1010 Sherbrooke St. West, Suite 2300, Montreal, Quebec, H3A 2R7 or by visiting our website at www.formulagrowth.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the investment fund's proxy policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objectives and Strategies

Formula Growth Fund seeks to achieve long-term growth through capital appreciation by investing primarily in small to medium-sized American companies judged to have above-average growth potential or to be undervalued. Formula Growth employs a number of quantitative and qualitative analytical tools in the process of identifying superior investment opportunities. Formula Growth invests in U.S. growth companies with outstanding management, strong brand identity or prospects, a dedicated customer focus, and a record of demonstrated financial performance. Security selection is based on "bottom-up" research of individual companies rather than on broader economic analysis or themes. Less emphasis is placed on macro-economic, interest rate, market or sector forecasting. Earnings per share growth is the dominant variable monitored in the management of the Formula Growth portfolio.

In growth investing, diversification is critical. Formula Growth portfolios employ significant diversification by holding a relatively large number of stocks. This ensures that the risk of any particular security to the overall portfolio is predetermined and can be effectively managed over time.

Risks

There are risks associated with an investment in the Fund, as a result of, among other considerations, the proposed nature and operations of the Fund. An investment in Units should only be made after consultation with independent qualified sources of investment and tax advice. An investment in the Fund is speculative and involves a high degree of risk and is not intended as a complete investment program. There is a risk that an investment in the Fund will be lost entirely or in part. Only investors who do not require immediate liquidity of their investment and who can reasonably afford a substantial impairment or loss of their entire investment should consider the purchase of Units.

There is no guarantee that an investment in Units will earn any positive return in the short or long-term. The value of the Units may increase or decrease depending on market, economic, political, regulatory and other conditions affecting the Fund's portfolio. Investment in Units is more volatile and riskier than some other forms of investments. All prospective Unitholders

should consider an investment in the Fund within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons. Furthermore, there can be no assurance that the Fund will be able to achieve its investment objectives.

Many of the investments in the Fund, at any time, will consist of securities denominated in currencies other than the Canadian dollar (primarily the U.S. dollar) and, accordingly, the Net Asset Value ("NAV") will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar. The Fund does not actively manage foreign exchange risk at the portfolio level however the Fund's Institutional Class may enter into a U.S. Dollar ("USD") foreign exchange forward contract to hedge against USD exposure.

As at December 31, 2019, approximately 73% of the Units issued were held by 50 unitholders. In the unlikely but possible scenario that the majority of those unitholders decide at the same time and as a group, to give the required 10 days redemption notice, the Net Asset Value of the fund may be negatively impacted. It is important to recognize that the Manager believes that the Fund's portfolio is very liquid and consists of publicly traded stocks on recognized stock exchanges. Those stocks may be liquidated under normal market conditions in a matter of hours to satisfy any size redemption request. In addition, as stated in the syndicate agreement "where the Manager reasonably considers that (i) the amount of redemptions requested would result in a disorderly liquidation of the Fund's investments or (ii) there exists a state of affairs that is outside the normal course of business as a result of which the disposal of the Fund's investments is not reasonably practicable or would not determine fairly the value of its assets, then the Manager shall have the right, in its discretion, to delay the withdrawal date for up to two additional valuation dates".

Subscription and Redemption of Units

New members to the Fund may be admitted by consent of the Manager. New and existing members may subscribe to new Units at a price equal to Net Asset Value of such unit at the date of subscription, which is computed in the middle and end of the month. The Manager reserves the right, in its sole discretion, to accept or reject subscriptions for Units. The Fund is available in two classes of units, the "General" Class and, at the Manager's discretion, an "Institutional" Class. The Institutional Class is hedged for fluctuations in the Canadian Dollar ("CAD") / United States Dollar ("USD") Exchange Rate

and is available exclusively to Institutions or Accredited Investors.

Any member of the Fund may redeem one or more Units at the NAV, on the dates described above, by giving notice to the Manager at the address of the Manager in either Montreal, Quebec or other such place as the Manager may determine; such notice shall be given by registered post and shall be received at least ten (10) days prior to the redemption date. The said notice shall state the number of Units which are to be redeemed. Payment for the Units shall be made within three (3) days of the NAV computation upon which the redemption is based.

Results of Operations

The performance of the Fund's General Class of units is discussed below. The performance of the Institutional Class offered by the Fund is shown in the *Past Performance* section of the report.

The General Class of units ("units") increased 20.9% U.S. net of fees year-to-date while increasing 7.5% U.S. during the fourth quarter. Weakness in the U.S. dollar throughout the year reduced the Fund's Canadian dollar returns. The Russell outperformed the Fund in 2019 as it was super charged by the Biotech sector. Biotech is a part of the market the Fund does not emphasize. The Russell 2000 scored its 11th best year in 2019 but still managed to lag the S&P 500 for the 3rd straight year as large-cap continued to dominate.

At December 31, 2019, the total net asset value of the Fund was \$240 million as compared to \$225 million at December 31, 2018. The number of shares outstanding in the Fund as at December 31, 2019 was 2.766 million compared with 2.983 million at December 31, 2018.

Recent Developments

Outlook

Over the past decade, the resiliency of the U.S. stock market has been impressive. Though there have been 6 tough corrections averaging around 14% (ranging from a decline of 11% to 19%), the large-cap S&P 500 is still up 190% since January 1, 2010. The past decade for the rest of the world (Europe, Asia, etc.) is up about one tenth as much at only 20%. The 10-year U.S. bull market has been somewhat narrowly concentrated in the mega-cap names like Facebook, Apple,

Amazon, Netflix and Google. Smaller-cap names represented by an Index like the Russell 2000 have lagged, up a lesser 167%. Most of this lag has been over the past three years. Common sense and being a bit contrarian, leads us to conclude that U.S. large-cap stocks are due for a pause simply because their performance has been so relatively strong. We believe large-cap to be over owned and priced for perfection. As we begin 2020, we see opportunities in the small-cap space, the under-owned Asian markets, and in long-short investing – all sweet spots of Formula Growth Limited.

Related Party Transactions

Formula Growth Limited ("FGL") is the Fund's Manager. The Manager provides the day-to-day management of the portfolio, provides investment analysis and recommendations, makes investment decisions and provides other administrative services. The fees paid to the Manager are shown in the "Management Fees" section of this report. The related party transactions take place in the normal course of operations and are measured at the exchange amount.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years. This information is derived from the Fund's audited annual financial statements.

For the Year		Increase (Decrease) from Operations (per unit) ⁽¹⁾							Annual Distributions (per unit) ⁽²⁾				Net Assets End of Year (per unit) ⁽³⁾	
		Net Assets Beginning of Year (per unit)	Total Revenue (Loss)	Total Expenses	Transaction Cost	Realized Gains (Losses)	Unrealized Gains (Losses)	Total	From Income (excluding Dividends)	From Dividends	From Capital Gains	Return of Capital		Total
General Class														
December 31, 2019	IFRS	74.83	0.34	(1.58)	(0.10)	4.23	8.68	11.58	-	-	-	-	-	86.15
December 31, 2018	IFRS	83.17	0.34	(1.73)	(0.08)	13.09	(11.32)	0.29	-	-	(8.63)	-	(8.63)	74.83
December 31, 2017	IFRS	76.72	0.61	(1.60)	(0.13)	11.33	2.61	12.82	-	-	(6.37)	-	(6.37)	83.17
December 31, 2016	IFRS	77.14	0.23	(1.34)	(0.17)	2.80	(2.10)	(0.59)	-	-	-	-	-	76.72
December 31, 2015	IFRS	70.57	0.26	(1.44)	(0.12)	8.90	(0.40)	7.20	-	-	(0.17)	-	(0.17)	77.14
Institutional Class (CAD Hedged)														
December 31, 2019	IFRS	86.98	0.40	(1.86)	(0.12)	3.11	14.79	16.31	-	-	-	-	-	103.29
December 31, 2018	IFRS	103.78	0.41	(2.13)	(0.10)	11.28	(19.29)	(9.83)	-	-	(6.97)	-	(6.97)	86.98
December 31, 2017	IFRS	92.51	0.79	(1.99)	(0.23)	17.26	5.86	21.68	-	-	(10.41)	-	(10.41)	103.78
December 31, 2016	IFRS	90.55	0.28	(1.67)	(0.07)	1.92	1.51	1.97	-	-	-	-	-	92.51
December 31, 2015	IFRS	-	0.26	(1.62)	(0.16)	(1.56)	(8.36)	(11.43)	-	-	(0.26)	-	(0.26)	90.55

¹ Net asset value is based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

² Distributions were paid in cash and/or reinvested in additional units of the Fund.

³ Numbers may not add due to rounding.

Ratios and supplemental data

As at		Net Asset Value per Unit (\$) ⁽¹⁾	Net Asset Value (\$ (000's)	Number of Units Outstanding	Management Expense Ratio (%) ⁽²⁾	Portfolio Turnover Rate (%) ₍₃₎	Trading expense Ratio (%) ⁽⁴⁾
<u>General Class</u>							
Dec 31, 2019	IFRS	86.15	228,381	2,651,097	1.88	27	0.12
Dec 31, 2018	IFRS	74.83	214,578	2,867,438	1.88	35	0.10
Dec 31, 2017	IFRS	83.17	237,005	2,849,560	1.93	45	0.16
Dec 31, 2016	IFRS	76.72	217,744	2,837,995	1.79	44	0.22
Dec 31, 2015	IFRS	77.14	238,717	3,094,775	1.85	30	0.15
Dec 31, 2014	IFRS	70.57	245,511	3,479,172	1.80	31	0.24
Dec 31, 2013	IFRS	64.92	247,521	3,812,860	1.38	46	0.31
<u>Institutional Class (CAD Hedged)</u>							
Dec 31, 2019	IFRS	103.29	11,885	115,062	1.88	27	0.12
Dec 31, 2018	IFRS	86.98	10,008	115,062	1.88	35	0.10
Dec 31, 2017	IFRS	103.78	11,055	106,526	1.93	45	0.16
Dec 31, 2016	IFRS	92.51	8,747	94,548	1.79	44	0.22
Dec 31, 2015	IFRS	90.55	8,561	94,548	1.85	30	0.15

¹ This information is provided as at December 31 of the year shown.

² Management expense ratio is based on the total expenses including HST of 22bps, excluding commissions and other portfolio transaction costs, for the stated period and is expressed as an annualized percentage on the average monthly net assets during the period.

³ The Fund's portfolio turnover rate indicates how actively the fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the fund.

⁴ The trading expense ratio represents total commissions expressed as an annual percentage of the average net assets during the period.

Management Fees

A percentage of net assets is paid monthly to the Manager of the Fund, Formula Growth Limited, based on 1/12th of 1.5% of the net assets at the end of each month. This fee is paid to compensate the Manager for managing the portfolio, providing investment analysis and recommendations, making investment decisions and providing other administrative services. During the year, the Fund paid management fees of \$3.67 million.

Security holder Activity

Throughout the year, \$2.2 million flowed into the Fund by way of subscriptions and \$21 million flowed out of the Fund as a result of redemptions.

Past Performance

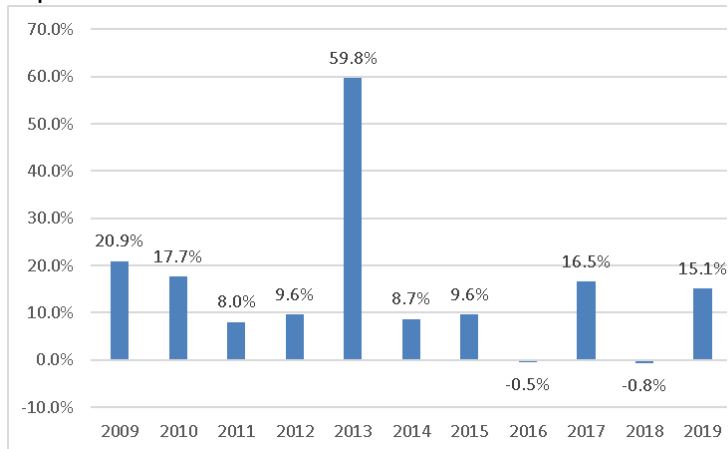
The Fund’s past performance is not necessarily indicative of how the Fund will perform in the future.

Annual Returns

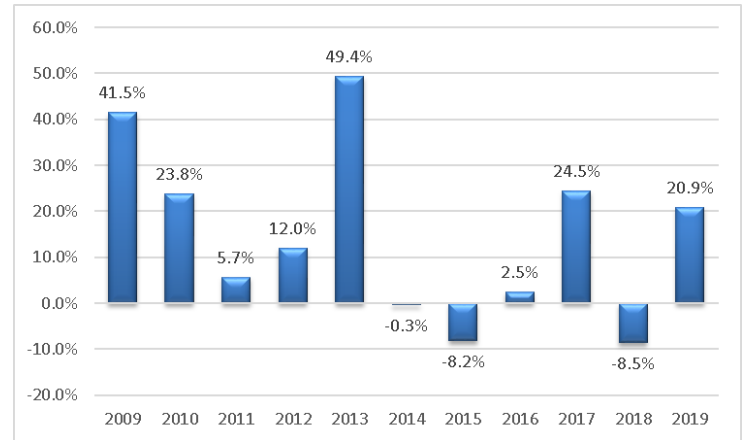
The bar chart shows the Fund’s annual performance for each of the years shown, and illustrates how the Fund’s performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have increased or decreased by December 31 of each financial year.

General Class

Expressed in Canadian Dollars

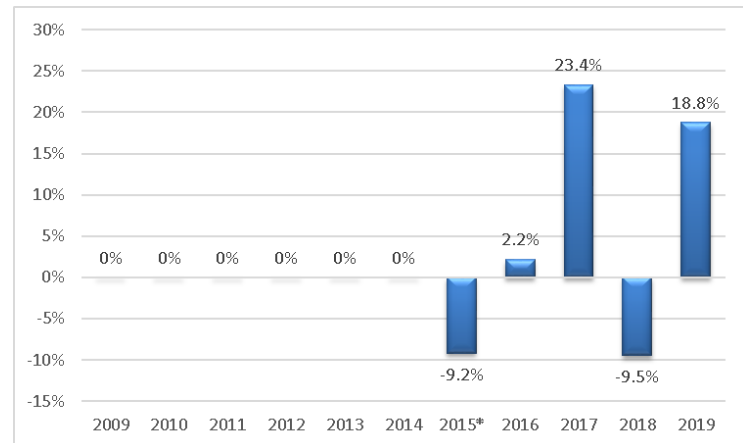


Expressed in U.S. Dollars



Institutional Class

Expressed in U.S. Dollars, hedged



*10 months ended December 31st, 2015

The Institutional Class is a CAD/USD currency hedged class. Any gain or loss on the fluctuations of the CAD currency vs the USD currency will be offset by the forward contracts.

Annual Compound Returns

The following tables show the Fund's annual compound total return for the periods shown ending on December 31, 2019. The annual compound total return is also compared to the Russell 2000 and to the S&P 500 on the same compound basis

Expressed in Canadian Dollars:

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>
General Class	15.1%	10.0%	7.7%	13.4%
Institutional Class- Hedged to USD*	N/A	N/A	N/A	N/A
Russell 2000	17.9%	5.9%	9.1%	10.3%
S&P 500	22.8%	11.7%	11.9%	13.5%

* The Institutional Class is a CAD/USD currency hedged class. Any gain or loss on the fluctuations of the CAD currency vs the USD currency will be offset by the forward contracts.

(Indices exclude reinvested dividends. Unit value is net of the management fee.)

Expressed in U.S. Dollars:

Expressed in U.S. Dollars:

	<i>1 Year</i>	<i>3 Years</i>	<i>5 Years</i>	<i>10 Years</i>
General Class	20.9%	11.2%	5.3%	10.9%
Institutional Class- Hedged to USD	18.8%	9.9%	N/A	N/A
Russell 2000	23.7%	7.1%	6.7%	10.3%
S&P 500	28.9%	5.8%	9.4%	11.2%

(Indices exclude reinvested dividends. Unit value is net of the management fee.)

S&P 500 Index

A market capitalization-weighted price-only USD index comprised of 500 widely held common stocks listed on the New York Stock Exchange, American Stock Exchange and Over-The-Counter market. Although the S&P 500 focuses on the large-cap segment of the market, with over 80% coverage of the market capitalization of U.S. equities, it is also an ideal proxy for the total market.

Russell 2000 Index

A capitalization-weighted price-only USD index which measures the performance of the 2,000 smallest U.S. companies out of the 3,000 largest, based on total market capitalization.

Portfolio Overview

Top 25 Holdings

Cash	4.0%
SS&C Technologies Holdings, Inc.	3.2%
XPO Logistics, Inc.	3.0%
Ringcentral Inc-Class A	2.5%
HCA Holdings Inc	2.4%
Electronic Arts Inc	2.1%
Liberty Global Cl C Ord	1.9%
LKQ Corp	1.8%
Costar Group Ord	1.8%
Micron Technology Inc	1.7%
Teladoc Inc.	1.7%
Wex Ord	1.7%
Methode Electronics Inc-Cl A	1.7%
Instructure Inc.	1.6%
Neogenomics Inc	1.6%
Euronet Worldwide Inc	1.6%
Insulet Corporation	1.5%
Gds Holdings Ltd Adr	1.5%
Kinaxis Inc	1.5%
Tetra Tech	1.5%
Hms Holdings Corp	1.5%
Ryanair Hldg Plc Adr	1.4%
Nuance Communications Inc	1.4%
Cardiovascular Systems Inc	1.3%
Kornit Digital Ltd	1.3%

TOTAL	47.2%
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Weighting by Sector

Cash	4.0%
Communication Services	9.2%
Consumer Discretionary	6.9%
Consumer Staples	0.9%
Financials	4.7%
Health Care	23.3%
Industrials	20.5%
Information Technology	30.2%
Materials	0.2%
Real Estate	0.1%

100.0%

The investment portfolio may change due to the ongoing portfolio transactions carried out by the Fund. Updates are available quarterly. Numbers may not add due to rounding.

**FORMULA
GROWTH**

1010 Sherbrooke St. West, Suite 2300, Montreal, Quebec, H3A 2R7
telephone ♦ 514 288 5136 fax ♦ 514 844 4561
www.formulagrowth.ca