

Formula Growth Management Corporation

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This “**Brochure**” provides information about the qualifications and business practices of Formula Growth Management Corporation. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Ari Kiriazidis, by email at ari@formulagrowth.ca. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Registration as an investment adviser does not imply that Formula Growth Management Corporation or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Formula Growth Management Corporation is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Material Changes

Since Formula Growth Management Corporation's last Form ADV Part 2A filing, dated March 2019, material changes include:

1. As of December 2019, PhoenixInvest Pacific Fund ("**PIP**"), a Cayman corporation changed its legal name to Formula Growth Asia Opportunities Fund Ltd. ("**FGAOFL**").

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Item 4: Advisory Business

Formula Growth Management Corporation is a Delaware corporation (hereinafter “**FGMC**”) and a related entity of Formula Growth Limited (“**FGL**” or the “**Affiliate**”), a Canadian-domiciled entity and a SEC-registered investment adviser (together, “**we**”, “**us**”, “**our**”, the “**Firm**” or “**Formula Growth**”). Both FGMC and FGL are owned by Formula Growth International Limited.

Formula Growth Management Corporation serves as an investment adviser, with discretionary trading authority, to the following private pooled investment vehicles; Formula Growth Limited Partnership (“**FGLP**”), a Delaware, U.S., Limited Fund; and Formula Growth Hedge Fund (“**FGHF**”), Formula Growth Fund (“**FGF**”), Formula Growth Alpha Fund (“**FGAF**”), Formula Growth Focus Fund (“**FGFF**”) and Formula Growth Global Opportunities Fund (“**FGGOF**”), each a Canadian mutual fund trust; and Formula Growth Alpha Fund Limited (“**FGAFL**”), Formula Growth Asia Opportunities Fund Ltd (“**FGAOF**”), a Cayman corporation; and Perinvest Whistler Fund (“**PWF**”), a Bermuda incorporated open-ended mutual fund; Perinvest (Lux) Sicav FG US Equity Long/Short Fund (“**LUX**”), and Javelin Select China Fund (“**JSC**”), both sub-advised UCITS funds (each individually the “**Fund**”, collectively the “**Funds**”); and the separately managed account or “**SMA**” (collectively with the Funds, the “**Clients**”). The Firm may also provide research and advice to any of the Firm’s current and/or future funds or separately managed accounts.

FGLP, FGHF, FGF, FGAF, FGAFL, FGFF, FGGOF and PWF are collectively referred to herein, where appropriate, as the “**Fund**” or “**Funds**.” The Funds’ shareholders, limited partners and unitholders are hereafter collectively referred to as the “**Investors**” where appropriate. We will not tailor our advisory services to the individual needs of any particular Investor. The Funds and the SMA are together referred to as the “**Clients**” where appropriate.

We do not currently participate in any Wrap Fee Programs.

As of December 31, 2019, we had regulatory assets under management (RAUM) in the amount of \$1,834,938,607 which we manage on a discretionary basis.

Item 5: Fees and Compensation

Management Fee

We will be entitled to a “**Management Fee**” paid by our affiliate, Formula Growth Limited, for investment advice and research services provided to the Funds and SMA. The Firm’s affiliate, FGL, will charge Clients a management fee ranging from 1/12th of 1% to 1/12th of 2.5% of the net assets of the Funds, calculated and payable monthly in arrears, and a portion paid to us. We, with our affiliate FGL, may in our sole discretion, waive or modify the Management Fee for any Investor. Management Fees related to any current, or future, SMAs will be negotiated by the Firm on an individual basis.

Sales and Trailing Commissions

Sales Commissions

A sales commission of up to 2% may be deducted from the purchase order for Shares (“**Shares**”) of some of the Funds, to be paid by the Investor to the “**Registered Dealer**” through which the

Shares are purchased. The sales commission may be negotiated between the Investor and the Registered Dealer.

Trailing Commissions

The Firm may be required to pay quarterly trailing commissions to Registered Dealers whose Investors have purchased Shares and remain invested in a Fund during the relevant month. The trailing commission rates are accrued monthly and are a rate of 1/12 of 1% of the NAV of each applicable Share “**Series**”, and will be charged by the Firm’s affiliate, Formula Growth Limited.

Other Types of Fees or Expenses

The Funds are responsible for the payment of the ongoing fees and expenses relating to their operation as set out in each Fund’s “**Declaration of Trust**,” or other contesting documents, which includes but are not limited to: trustee fees (if any); custody and safekeeping charges; all taxes (including GST, PST and HST, if any); assessments or other regulatory and governmental charges levied against the Fund; interest; all brokerage fees; any legal, accounting and audit fees; and other expenses which are incurred in respect of matters in the normal course of the Fund’s activities, and all reasonable extraordinary or non-recurring expenses. The payment of all fees will be made to the Firm’s affiliate, Formula Growth Limited, which will reimburse the Firm for relevant expenses incurred as a result of our research and advice to the Funds.

Each Series is responsible for the expenses specifically related to that Series and a proportionate share of expenses that are common to all Series. The costs of any Foreign Exchange hedging are charged to the “**Hedged Series**.” FGL shall allocate expenses to each Series in our sole discretion as we deem fair and reasonable in the circumstances. In addition, we, with our Affiliate, may, in our sole discretion, pay directly or reimburse the Funds for some or all of the above-noted expenses from time to time.

Item 6: Performance-Based Fees and Side-By-Side Management

Performance Fee

The Funds will pay the Firm’s Affiliate for each Series a performance fee (the “**Performance Fee**”) equal to 20% of any amount that the “**Series NAV per Unit**,” as of the last valuation date of the fiscal year, exceeds the Series NAV Per Unit as at the first business day of the relevant financial year; provided that, a high-water mark (defined below) has been exceeded. We may, in our sole discretion, waive or modify the Performance Fee for any Investor. Performance Fees related to any current, or future, SMAs will be negotiated by the Firm on an individual basis.

The Performance Fee is calculated on a Series-by-Series basis in an effort to ensure that Performance Fees are equitably assessed among Investors. The Performance Fee is accrued monthly, and deducted and paid annually, from the net assets of the Funds (or earlier date in the case of a redemption of Shares). The Performance Fee shall only be payable if the Series NAV Per Unit as at the last valuation date in the relevant fiscal year (or earlier date in the case of a redemption of Shares) exceeds the highest Series NAV Per Share figure by reference to which a Performance Fee has been previously paid as of the last business day of any previous financial year (the “**High Water Mark**”). Appropriate adjustments will be made to the High Water Mark of a Series to account for distributions (if any) paid on Shares of that Series.

We understand that performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement. However, Formula Growth has implemented policies and procedures designed to ensure that all Clients are treated fairly and equally, and to prevent conflicts from influencing the allocation of investment opportunities among Clients. To the extent that a particular investment may be suitable for one or more of our Clients, such investments generally will be allocated between our Clients based upon a defined allocation methodology. Although such defined allocation is typically based on a pro rata allocation methodology, we may utilize one or more other portfolio “balancing techniques,” or other allocation methodologies, that we determine are fair and equitable under the circumstances to each of our Clients. In determining a fair and equitable allocation methodology, we may take into consideration such factors as the underlying investment strategy, the timing and amount of Investor capital inflows and outflows, tax considerations, and legal or other restrictions applicable to one or more of Client’s account.

Item 7: Types of Clients

Our clients will be referred to as the Funds and the SMA. For the Funds, any initial and additional investment minimums are disclosed in the Confidential Offering Memorandum (“**COM**”) for the relevant Fund. In certain circumstances, minimum investment amounts may be waived. In addition, we provide investment advice directly to the SMA pursuant to an investment management agreement.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

The descriptions set forth in this Brochure of specific advisory services that we offer to our Funds, and investment strategies pursued and investments made by us on behalf of our Funds, should not be understood to limit in any way our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Funds’ investment objectives and guidelines. The investment strategies we pursue are speculative and entail substantial risks. The Funds should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

The descriptions set forth in this item do not include; the PWF, JSC and LUX as we are the sub-adviser for the Funds, the SMA since it is tailored to the individual Investor’s objectives and guidelines, and the FGAOFL because it is not marketed to U.S. investors nor does it have U.S. investors and focuses strictly on Asian stock markets.

The Firm performs fundamental research via offices in Montreal, New York City and Hong Kong. The research performed by the Hong Kong office primarily relates to the 3 Asian focused funds; JSC, FGAOFL, and FGGOFL. The Firm expects to evaluate a large number of potential investment ideas culled from an extensive network of business, investment community and database resources. In addition to rigorous security analysis, all potential and existing portfolio holdings are vetted with external sources, including the Firm’s contact network in the U.S. analyst and investment community. This information and idea-sharing network provides the Firm with the ability to generate, assess, and select its investment opportunities. The Firm will conduct a

detailed fundamental analysis once investment candidates that are compatible with the Fund's investment objective have been selected.

Investment Objective***Formula Growth LP***

FGLP's investment objective is to achieve superior risk-adjusted returns relative to the market by maximizing such returns during periods of favourable market conditions and preserving capital in periods of difficult or uncertain market conditions. In pursuing its investment objective, FGLP will invest primarily in a portfolio of U.S. securities, both listed and unlisted, by basing its long and short equity selections on fundamental business and security analysis criteria. However, FGLP is authorized to invest in foreign equities, U.S. and foreign debt instruments (both rated and unrated), and other investment products if we believe that such investments are consistent with the FGLP's investment objective.

Formula Growth Hedge Fund

FGHF's investment objective is to achieve returns that are superior to, and relatively independent of, the returns generated by securities markets generally.

Formula Growth Fund

FGF's investment objective is to achieve returns that are superior to the returns generated by securities markets generally by investing primarily in U.S. small and medium capitalization companies.

Formula Growth Alpha Fund

FGAF's investment objective is to provide absolute returns by minimizing downside volatility and drawdowns while maintaining low correlation to the overall market through low equity and sectoral market exposure.

FG Focus Fund

FGFF's investment objective is to earn superior equity or equity-related returns compared to major North American stock market indices through a full market cycle. We intend to achieve this objective through a concentrated portfolio of carefully-researched companies that will tend to be invested in fewer companies in a limited number of sectors than a traditional equity portfolio.

Formula Growth Global Opportunities Fund

FGGOF's investment objective is to achieve returns that are superior to, and relatively independent of, the returns generated by securities markets principally in the Asia-Pacific region.

Formula Growth Alpha Fund Limited

FGAFL's investment objective is to provide absolute returns by minimizing downside volatility and drawdowns while maintaining low correlation to the overall market through low equity and sectoral market exposure.

Investment Process***Formula Growth LP***

In order to achieve the Fund's investment objective, the Firm will employ a variety of investment strategies to take advantage of profitable opportunities in the capital markets. Some of these strategies include:

Long Investments

Long positions involve buying a security, basket of securities, or exchange traded funds (ETFs) in anticipation of price expansion in the short and long term. The Fund's long investment position will include securities of companies that have some or all of the following features:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or
- have securities prices that have been impaired by temporary events.

Short Sales

Short sales involve the Fund selling a security, basket of securities, or exchange traded funds (ETFs) that it does not own in anticipation of a price decline. A short sale occurs when the Fund borrows a security from a third party. The Fund must repurchase the security at a later date in order to replace the security that was borrowed from the third party. The Fund's short investment position will include securities of companies that have some or all of the following features:

- are experiencing a cyclical slow down;
- are likely to face loss of market share, revenue, or earnings due to competitive displacement;
- have significant debt refinancing risk; or
- have high absolute earnings or cash flow valuations.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Miscellaneous Securities

To a lesser extent, the Fund may invest in other kinds of securities including: Shares, warrants, write or acquire put and call options or acquire futures contracts. The Fund may use leverage, and derivatives (options, currency forwards, swaps etc.) to establish, or increase the likely return, of a long or short position. The Fund may also establish positions in securities baskets or ETFs to participate in or hedge exposure to underlying markets or industries.

Although the Fund will seek to achieve diversification by following a general policy of spreading its capital among a number of investments across different industry groups, there are no pre-established requirements that the Fund be widely diversified. The Fund may from time to time borrow on behalf of the Fund to make additional investments, grant security interests in its assets for the purpose of settling securities purchase transactions, pay out Investor withdrawals, or for any reason that has been approved by the Fund. The Fund is not currently subject to any pre-

established investment restrictions. In the event that investment restrictions are established, they may be waived or modified by the Fund with the approval of the Firm upon not less than 120 days' notice to the Investors.

Formula Growth Hedge Fund

In order to achieve the Fund's investment objective, the Firm employs a variety of investment strategies to take advantage of profitable opportunities in the capital markets. Some of these strategies are discussed below:

Long Investments

Long positions involve buying a security, basket of securities, or exchange traded funds (ETFs) in anticipation of price expansion in the short and long term. The Fund's long investment position will include securities of companies that have some or all of the following features:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets well above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or
- have securities prices that have been impaired by temporary events.

Short Sales

Short sales involve the Fund selling a security, basket of securities, or exchange traded funds (ETFs) that it does not own in anticipation of a price decline. A short sale occurs when the Fund borrows a security from a third party. The Fund must repurchase the security at a later date in order to replace the security that was borrowed from the third party. The Fund's short investment position will include securities of companies that have some or all of the following features:

- are experiencing a cyclical slow down;
- are likely to face loss of market share, revenue, or earnings due to competitive displacement;
- have significant debt refinancing risk; or
- have high absolute earnings or cash flow valuations.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Miscellaneous Securities

To a lesser extent, the Fund may invest in other kinds of securities including: Shares, warrants, write or acquire put and call options or acquire futures contracts. The Fund may use leverage, and derivatives (options, currency forwards, swaps etc.) to establish, or increase the likely return, of a long or short position. The Fund may also establish positions in securities baskets or ETFs to participate in or hedge exposure to underlying markets or industries.

Formula Growth Fund

In order to achieve the Fund's investment objective, the Firm employs a variety of investment strategies to take advantage of profitable opportunities in the capital markets. Some of these strategies are discussed below:

Long Investments

Long positions involve buying a security in anticipation of price expansion in the short and long term. The Fund's long investment position will include securities of companies that have some or all of the following features:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets well above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or
- have securities prices that have been impaired by temporary events.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Formula Growth Alpha Fund

To achieve the objective of the Fund, the Firm will employ a bottom-up investment process to dynamically allocate capital to some or all of the following strategies: Long, Short, Pair and Hedge. These strategies may be coupled with a risk management process tracking overall sector and portfolio beta.

Long Investments

Long positions involve buying a security, a basket of securities or exchange-traded funds (ETFs) in anticipation of price expansion in the short and long term. The Fund's long investment position will include securities of companies that have some or all of the following features:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets well above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or
- have securities prices that have been impaired by temporary events.

Short Sales

Short sales involve the Fund selling a security, a basket of securities or ETFs that it does not own in anticipation of a price decline. A short sale occurs when the Fund borrows a security from a third party. The Fund must repurchase the security at a later date in order to replace the security that was borrowed from the third party. The Fund's short investment positions will include securities of companies that have some or all of the following features:

- are experiencing a cyclical slow down;

- are likely to face loss of market share, revenue, or earnings due to competitive displacement;
- have significant debt refinancing risk; or
- have high absolute earnings or cash flow valuations.

Pairs

Pairs trading involves buying long a security, a basket of securities or ETFs, in anticipation of price expansion co-incidentally with short selling a similar security, basket of securities or ETFs in anticipation of a price decline. Pairs may be used with the objective of reducing company or industry specific risks.

Hedging

Hedge positions involve the Fund buying or selling a security, a basket of securities, ETFs or derivatives of the underlying securities with the objective of reducing the overall sector or market risk of the portfolio as part of the risk management and portfolio construction process. Hedging may be used with the objective of mitigating or protecting the portfolio against fluctuations in equity markets.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Miscellaneous Securities

To a lesser extent, the Fund may invest in other kinds of securities including: Shares, warrants, write or acquire put and call options or acquire futures contracts. The Fund may use leverage, and derivatives (options, currency forwards, swaps etc.) to establish, or increase the likely return, of a long or short position.

FG Focus Fund

The Fund will be managed in a flexible manner and will use a variety of investment strategies and instruments to achieve the objective of the Fund. The Firm will employ a bottom-up investment process in order to select highly concentrated positions for the Fund. It will utilize, among others, some or all of the investment strategies below:

Long Investments

Long positions involve buying a security, a basket of securities or exchange-traded funds (ETFs) in anticipation of price expansion in the short and long term. The Fund's long investment position will include securities of companies that have some or all of the following features:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets well above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or
- have securities prices that have been impaired by temporary events.

Short Sales

The Fund will seek out short sale opportunities in the short and medium term. Short sales involve the Fund selling a security, a basket of securities or ETFs that it does not own in anticipation of a price decline. A short sale occurs when the Fund borrows a security from a third party. The Fund must repurchase the security at a later date in order to replace the security that was borrowed from the third party. The Fund's short investment positions will include securities of companies that have some or all of the following features:

- are experiencing a cyclical slow down;
- are likely to face loss of market share, revenue, or earnings due to competitive displacement;
- have significant debt refinancing risk
- have high absolute earnings or cash flow valuations.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Miscellaneous Securities

To a lesser extent, the Fund will invest in other kinds of securities including: Shares, warrants, write or acquire put and call options or acquire futures contracts including commodities futures, convertible bonds payment-in-kind bonds, discounted debt instruments, restructured debt securities, loan assignments, loan participations and high yield, lower rated debt securities, as well as the securities of companies in reorganization. The Fund may use leverage, and derivatives (options, currency forwards, swaps etc.) to establish, or increase the likely return, of a long or short position. The Fund may also establish positions in securities baskets or ETFs to participate in or hedge exposure to underlying markets or industries.

Private Placements

The Fund may seek out attractive private placements by companies which have publicly traded securities.

Formula Growth Global Opportunities Fund

In order to achieve the Fund's investment objective, the Firm employs a variety of investment strategies to take advantage of profitable opportunities in the global capital markets by investing a substantial portion of the assets in companies in the global markets, with an expected focus on the Asia Pacific region. Some of these strategies are discussed below:

Long Investments

Long positions involve buying a security, basket of securities, or exchange traded funds (ETFs) in anticipation of price expansion in the short and long term. The Fund's long investment position will include securities of companies that have some or all of the following features:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets well above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or

- have securities prices that have been impaired by temporary events.

Short Sales

Short sales involve the Fund selling a security, basket of securities, or exchange traded funds (ETFs) that it does not own in anticipation of a price decline. A short sale occurs when the Fund borrows a security from a third party. The Fund must repurchase the security at a later date in order to replace the security that was borrowed from the third party. The Fund's short investment position will include securities of companies that have some or all of the following features:

- are experiencing a cyclical slow down;
- are likely to face loss of market share, revenue, or earnings due to competitive displacement;
- have significant debt refinancing risk;
- have high absolute earnings or cash flow valuations.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Miscellaneous Securities

To a lesser extent, the Fund may invest in other kinds of securities including: Shares, warrants, write or acquire put and call options or acquire futures contracts including commodities futures. The Fund may use leverage, and derivatives (options, currency forwards, swaps etc.) to establish, or increase the likely return, of a long or short position. The Fund may also establish positions in securities baskets or ETFs to participate in or hedge exposure to underlying markets or industries.

Formula Growth Alpha Fund Limited

To achieve the objective of the Fund, the Firm will employ a bottom-up investment process to dynamically allocate capital to some or all of the following strategies: Long, Short, Pair and Hedge. These strategies may be coupled with a risk management process tracking overall sector and portfolio beta.

Long Investments

Long positions involve buying a security, a basket of securities or exchange-traded funds (ETFs) in anticipation of price expansion in the short and long term. The Fund's long investment positions will include securities that generally have some or all of the following characteristics:

- are growing revenue and earnings rapidly, and which offer earnings-driven future security price targets well above current prices;
- are experiencing a cyclical recovery in the industry in which they participate;
- are restructuring or cutting costs to improve profitability;
- have low absolute valuations; or
- have securities prices that have been impaired by temporary events.

Short Sales

Short sales involve the Fund selling a security, a basket of securities or ETFs that it does not own in anticipation of a price decline. A short sale occurs when the Fund borrows a security from a third party. The Fund must repurchase the security at a later date in order to replace the security

that was borrowed from the third party. The Fund's short investment positions will include securities of companies that have some or all of the following features:

- are experiencing a cyclical slow down;
- are likely to face loss of market share, revenue, or earnings due to competitive displacement;
- have significant debt refinancing risk; or
- have high absolute earnings or cash flow valuations.

Pairs

Pairs trading involves buying long a security, a basket of securities or ETFs, in anticipation of price expansion co-incidentally with short selling a similar security, basket of securities or ETFs in anticipation of a price decline. Pairs may be used with the objective of reducing company or industry specific risks.

Hedging

Hedge positions involve the Fund buying or selling a security, a basket of securities, ETFs or derivatives of the underlying securities with the objective of reducing the overall sector or market risk of the portfolio as part of the risk management and portfolio construction process. Hedging may be used with the objective of mitigating or protecting the portfolio against fluctuations in equity markets.

The firm primarily performs fundamental research in house but may supplement with quantitative tools.

Miscellaneous Securities

To a lesser extent, the Fund will invest in other kinds of securities including: Shares, warrants, write or acquire put and call options or acquire futures contracts including commodities futures. The Fund may use leverage, and derivatives (options, currency forwards, swaps etc.) to establish, or increase the likely return, of a long or short position.

Risk Factors

An investment in a Fund is speculative, involves a high degree of risk not associated with other investment vehicles and is suitable only for persons of adequate financial means who have no need for liquidity in this investment. There can be no assurances or guarantees that (i) the Fund's investment objectives will be realized, (ii) the Fund's investment strategy will prove successful, or (iii) investors will not lose all or a portion of their investment in the Fund. Prospective investors should carefully consider, with their respective financial, tax and legal advisors, the following risk factors before subscribing. Please note that the following is not meant to be an exhaustive listing of all potential risks associated with investing in the Fund.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FIRM. PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR PROFESSIONAL ADVISERS BEFORE DECIDING TO INVEST IN THE FIRM.

General Investment Risks

All Funds' investments risk the loss of capital. The Firm believes that a Fund's investment programs, research and possible board participation may moderate this risk. However, there can be no assurance that a Fund's investment program will be successful or that investments made by a Fund will increase in value. An investor in a Fund could lose its entire investment in a Fund. All investors in a Fund should consult their own legal, tax and financial advisors prior to investing in a Fund.

Risk of Loss of Investment

No guarantee or representation is made that the Firm's investment program will be successful or that its investment objective will be achieved. Investors could experience a partial or total loss of capital.

Leverage

A Fund may use leverage, including purchasing securities with borrowed funds, selling securities short, using repurchase agreements, swaps and other derivatives to make investments. If such investments decline in value, the loss will be magnified if a Fund has borrowed money to make its investments. A Fund may not be able to repay borrowings or it may be forced to sell investments at a disadvantageous time in order to repay borrowings. Costs incurred in connection with the use of leverage may not be recovered by income or appreciation in the investments purchased, and may be lost in the event of a decline in the market value of such securities. In the event of a precipitous drop in the value of a Fund's assets, a Fund might not be able to liquidate assets quickly enough to pay off its margin debt. A Fund may elect to sell its more liquid assets first to repay borrowings, thus increasing its concentration in less liquid securities.

Short Selling

A Fund may engage in short-selling of securities. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale will result in a loss if the price of the security sold short increases. Any gains are decreased by the amount of any payment or interest that a Fund may be required to pay with respect to the borrowed securities. Short sales may only be maintained if the securities can be borrowed. It may not be possible at times for a Fund to borrow the securities it wishes to sell short or maintain the borrowing of a security sold short. The borrowed securities may need to be returned on short notice. If the securities cannot remain borrowed a Fund could be required to cover the short sale by borrowing the security elsewhere or by purchasing securities at a higher price than the short sale transaction thereby creating a loss. If the price of a security that has been sold short increases, there is theoretically no limit to the loss that could be incurred in covering a short sale, as there is no limit on how much the price of a stock may appreciate before the short position is closed out.

Derivatives

A Fund may purchase and sell options or enter into other derivative transactions. These transactions may be used for any purpose, including hedging purposes and to increase the possibility of achieving gains from any level of movement in the price of the underlying securities or group of securities. Use of derivatives in general presents additional risks. If used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent a Fund from achieving the intended hedge effect or expose it to the risk of loss. Risks associated with

options or instruments and with the instruments themselves may differ from the risks associated with underlying assets. Derivative instruments may not be liquid in all circumstances, so that in volatile markets a Fund may not be able to close out a position without incurring a loss. No assurance can be given that short sales, hedging, leverage and other techniques and strategies used by a Fund will not result in material losses.

A Fund may purchase or write call and put options on securities and stock indexes, on exchanges or over-the-counter markets. The uncovered selling of an option generally exposes the seller to unlimited risk. The ability of a Fund to close out a position as a purchaser or writer of a listed put or call option is dependent, in part, upon the liquidity of the option market. To the extent that a Fund may use over-the-counter derivatives, it will be subject to the credit risk that its counterparty may not be able to meet its financial obligations, and a Fund could possibly lose its margin and any gains on a contract.

Exchange-Traded Funds

Exchange-traded Funds (“ETFs”) may not reflect the value of the underlying securities or index due to tracking error, construction of a Fund, actions by the Firm of the ETF or other factors. In certain circumstances, this may result in an incomplete or inappropriate hedge.

Illiquidity of Investments

Certain securities that a Fund may invest in may be unlisted, distressed or otherwise illiquid and difficult to value. The valuation of these securities is subject to a significant amount of subjectivity and discretion. There is no guarantee that fair value will be realized by a Fund on the sale of these securities. ETFs, options and other derivative securities may themselves be illiquid at times, irrespective of the condition of the market of the underlying security, making it difficult to offset existing positions in order to either realize gains thereon, limit losses or change positions in the market.

Reliance on the Firm

A Fund will be highly dependent upon the expertise and abilities of the Firm. The loss of services of key personnel of the Firm could adversely affect a Fund. Investors have no right to take part in the management of a Fund.

Limited Operating History of Fund

A recently formed Fund will have little or no operating history upon which prospective investors can evaluate its performance. However, the Firm has managed investment funds and accounts for a considerable period of time and has experience in implementing the investment strategies of its Fund. There is currently no public market for its Funds’ Shares and none is expected to develop.

Liquidity Risk

While Investors may redeem their Shares as described herein, under certain conditions redemptions may be temporarily restricted or suspended. Investors requesting redemptions may therefore potentially experience delays in receiving redemption payments. An investment in Shares is hence suitable only for sophisticated investors who do not need full liquidity with respect to this investment.

Debt Instruments

A Fund may invest in debt instruments when the Firm believes that such investments are consistent with the Fund's investment objective. Such investments may include senior or subordinated debt securities, bank loans, promissory notes and other evidences of indebtedness, as well as accounts payable to trade creditors. Although such investments may result in significant returns to a Fund, they involve a substantial degree of risk and may not provide any returns for a considerable period of time. In some cases, such debt will be rated below "investment grade" or will be unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments, which could have a materially adverse impact on the value of such investments.

Availability of Suitable Investment Opportunities

A Fund will compete with other potential investors to acquire interests in its targeted investments. Certain of a Fund's competitors may have greater financial and other resources and may have better access to suitable investment opportunities. There can be no assurance that a Fund will be able to locate and complete suitable investments that satisfy a Fund's objectives. Whether or not suitable investment opportunities are available to a Fund, a Fund will bear the Management Fees and other Fund expenses described herein.

Fees and Expenses

A Fund is obligated to pay Management Fees and other expenses regardless of whether a Fund realizes a profit. Under certain circumstances, a Fund may be subject to significant indemnification obligations in respect of the Firm and certain affiliated parties.

Risks Arising from Multiple Classes of Shares

The management and performance fees determined with respect to a particular Class and Series of Shares, and any currency hedging costs, are charged against the applicable Class Net Asset Value and Series Net Asset Value. However, all other expenses of a Fund generally will be allocated among the various Classes and Series of Shares, and a creditor of a Fund may seek to satisfy its claims from the assets of a Fund as a whole, even though its claims relate only to a particular Class and/or Series of Shares.

Foreign Market Exposure

A Fund may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. issuers, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. issuer. Volume and liquidity in some foreign markets may be less than in Canada and the United States and, at times, volatility of price may be greater than in Canada or the United States. As a result, the price of such securities may be affected by conditions in the market of the jurisdiction in which the issuer is located or its securities are traded. Other risks include the application of foreign tax law, changes in governmental administration or economic or monetary policy, and the effect of local market conditions on the availability of public information. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

Emerging Markets

Investments in emerging markets may involve additional risks. There may be greater likelihood of accounting problems and deceptive practices. Emerging markets may not be efficient or liquid; little or no market may exist for the securities of emerging market issuers. In addition, the quality and reliability of official data published by governments or securities exchanges may not accurately reflect actual circumstances.

Some emerging market issuers, including banks and other financial institutions, may be subject to less stringent regulations than would be the case for developed country issuers, thereby potentially carrying greater risk. Custodial expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of developed country securities.

Many of the laws that govern private and foreign investments, securities transactions, creditors' rights and other contractual relationships in emerging markets are new and untested. As a result, a Fund may be subject to a number of unusual risks including inadequate investor protection, incomplete, conflicting and changing laws, lack of effective dispute resolution, lack of standard practices and lack of enforcement of regulations.

Foreign Currency Exposure

Many of the investments in a Fund, at any time, will consist of securities denominated in currencies other than the Canadian dollar (primarily the US dollar) and, accordingly, the Net Asset Value will, when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

With respect to the Shares of the Hedged Series of the various Funds, the Firm intends to adopt a strategy to hedge against this currency risk, but there is no assurance that such a strategy will be successful or available on a continuing basis. No assurance can be made that the Shares of the Hedged Series of the Funds will not incur losses due to residual exposure to assets denominated in currencies other than the Canadian dollar (primarily the US dollar). Costs of hedging are charged to the Shares of the Hedged Series of the Funds. The Shares of the US\$ Series of the Funds are denominated in US dollars and not hedged against any currency risk.

Interest Rate Movements

Markets in general and the prices of individual securities can be extremely sensitive to interest rate cycles in both a positive and negative direction. The Firm makes no prediction regarding the direction of interest rate fluctuations or their duration nor does the Firm intend to hedge this exposure.

Different Performance Results among the Formula Growth Funds

Trades normally will be allocated pro rata among a Fund and any other Formula Growth Funds to the extent appropriate. Although these portfolios are expected to be managed according to a similar investment management style, they are not expected to trade in parallel. Aside from differences in the Fund's objectives and mandates, differences between the portfolios might arise for various reasons including but not limited to: (i) timing of subscriptions or withdrawals among the portfolios, (ii) differing margin computations, (iii) differing income tax profiles of investors in a Fund compared to other Formula Growth Funds and (iv) changes in the Firm's long or short overall or individual risk position limits with respect to a Fund and other Formula Growth Funds.

A Fund's strategy relies, in part, upon general economic forces that are outside the control of the General Partner, the Firm or other affiliates. No assurance can be given that businesses and assets can be acquired or disposed of at favourable prices or that the market for such assets will remain stable or, as applicable, recover or improve, since this will depend, in part, upon events and factors outside of the control of the General Partner, the Firm and other affiliates. Recent market events and other events signal unprecedented uncertainty in the financial markets and a Fund may be subject to markets risks which the Firm and the General Partner are not able plan for or mitigate.

Valuation

From time to time, special situations affecting the valuation of the Funds' investments (such as limited liquidity, unavailability or unreliability of third-party pricing information and acts or omissions of service providers to a Fund) could have an impact on the net asset value of a Fund, particularly if prior judgments as to the appropriate valuation of an investment should later prove to be incorrect after a net asset value related calculation or transaction is completed. A Fund is not required to make retroactive adjustments to prior subscription or withdrawal transactions, Management Fees or Performance Allocations based on subsequent valuation data.

Portfolio Turnover

A Fund will not be restricted in effecting transactions by any specific limitations with regard to its portfolio turnover rate. A Fund's investment policies might result in substantial portfolio turnover. Fund investments may be sold for a variety of reasons, such as a more favorable investment opportunity or other circumstances bearing on the desirability of a continued position in such investments.

Potential Conflicts of Interest

The Firm is required to satisfy its standard of care in exercising its duties with respect to a Fund. However, the Firm and its officers, directors, or employees are not required to devote all or any specified portion of their time to their responsibilities relating to a Fund. Certain inherent conflicts of interest arise from the fact that the Firm and its affiliates may carry on investment activities for other clients (including investment funds sponsored by the Firm and which may have the same or similar investment objectives and strategies) or on a proprietary basis in which a Fund will have no interest. Future investment activities by the Firm, including the establishment of other investment funds, may give rise to additional conflicts of interest. The Firm and its affiliates may also engage in the promotion, management or investment management of any other fund or trust or engage in other activities. In addition, directors and officers of the Firm may act as directors or officers of other entities that provide services to funds. The Firm has discretion regarding the selection of the broker-dealers and other intermediaries with and through which a Fund executes and clears portfolio transactions, the commissions and fees payable and the prices at which investments are bought and sold. Some allocations may be based in part on the provision of or payment for other products or services (including but not limited to investment research) to a Fund, the Firm or affiliated persons ("soft-dollars"). Such services may not be used for the direct or exclusive benefit of a Fund and may reduce the overhead and administrative expenses otherwise payable.

Potential Liability of Investors

The COM for a Fund may provide that no Investor shall be subject to any personal liability for the satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of a Fund, or the Firm, but rather only the Fund property is intended to be liable and

subject to levy or execution for such satisfaction. There is a risk that is considered by the Firm to be remote in the circumstances that an Investor could be held personally liable, notwithstanding the foregoing statement in the COMs, for obligations of a Fund (to the extent that claims are not satisfied by a Fund). It is intended that a Fund's operations be conducted in such a way as to minimize any such risk. It is considered that the risk of any personal liability of Investors is minimal in view of the anticipated equity of a Fund. In the event that an Investor should be required to satisfy any obligation of a Fund, such Investor will be entitled to reimbursement from any available assets of a Fund.

Concentration of Investments

A Fund may hold a few, relatively large securities positions in relation to a Fund's net assets. The result of such concentration of investments is that a loss in any such position could materially reduce a Fund's net assets. A Fund may make investments in parallel with other funds managed by the Firm. Allocations of these trades made among them will generally be based on relative size and capitalization.

Lack of Diversification

Since a Fund's portfolio may not be widely diversified, it may be subject to more rapid change in value than would be the case if a Fund were required to maintain a wide diversification among companies or industry groups.

Item 9: Disciplinary Information

This Item is applicable.

Item 10: Other Financial Industry Activities and Affiliations

Formula Growth Management Corporation is not currently regulated by any other financial industries, however, our Affiliate, Formula Growth Limited, is registered with the Quebec Securities Commission (Autorité des Marchés Financiers).

Formula Growth Asia Limited is registered with the Hong Kong Securities and Futures Commission (SFC).

Formula Growth Limited is a signatory of the following industry affiliations; CFA Asset Manager Code, Standards Board for Alternative Investments (SBAI), and Alternative Investment Management Industry (AIMA).

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Formula Growth has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide periodic certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of our Funds' Investors first;
- Employees must ensure that all personal securities transactions are conducted consistent with the policies and procedures contained in the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

Personal Securities Trading

Employees, their spouses, immediate family members and other dependents, are required to direct their brokers to send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Formula Growth's "**Employee Investment Policy**." The Employee Investment Policy restricts employees from trading in any securities, or derivatives of such securities, if on the Firm's Restricted List or that the Firm is trading that day for any Fund.

Participation or Interest in Client Transactions

Neither we nor our related persons generally purchase any securities for our own accounts from, or sell any securities for our own accounts to, the Funds. We may solicit qualified persons to invest in a Fund. We will inform each prospective Investor of our relationship with a Fund prior to the prospective Investor's investment, but we do not intend to advise prospective Investors as to the appropriateness of the investment, and will not receive any compensation for doing so or for selling interests in a Fund (except to the extent that the Adviser receives Management Fees and Performance Compensation from all Fund investors).

The Firm discloses these, and any other potential conflicts of interest, to Investors in the Funds' COMs. These materials are delivered to prospective Investors prior to their investment or managing their assets, and prospective Investors are given the opportunity to ask questions and seek answers regarding, among other things, potential conflicts involving the Firm, its affiliates, or the executive officers of the foregoing.

Item 12: Brokerage Practices

The Firm, though its affiliate, Formula Growth Limited, is authorized to determine the broker-dealer to be used for executing securities transactions for its Clients. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. The Funds' securities and other assets are held in securities accounts at our prime brokers that are "**Qualified Custodians**" (as defined in the Investment Advisers Act of 1940, the "**Advisers Act**," see **Item 15**, "**Custody**," below).

Best Execution

In selecting an appropriate broker-dealer to transact a Fund trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a Fund in such a manner that a Fund's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of

a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of services including, among other things, their: facilities; reliability and financial responsibility; execution capability; commission rates; responsiveness to us; brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies); special execution and block positioning capabilities; and clearance, settlement and custodial services. In addition, we have policies and procedures in place in connection with our selection of "Approved Broker-Dealers" that we will retain exclusively to transact trades for our Funds' accounts.

Soft Dollars

Formula Growth may use "**Soft Dollars**" generated by the Funds' trading activities to purchase brokerage and research services or products that would otherwise have been our expense. We intend to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

Item 13: Review of Accounts

We continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the relevant Fund's COM. In these reviews, we pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

We will distribute annual audited financial statements with respect to the previous fiscal year to all Investors within 120 days of relevant Fund's fiscal year end. We also may distribute other interim reports to Investors and the SMA.

Item 14: Investor Referrals and Other Compensation

We refer the reader to **Item 5** for a description of Sales and Trading Commissions that may be paid to Registered Dealers.

Item 15: Custody

Securities and investment transactions for our Clients generally are executed by brokers or dealers or other parties selected by us, in our sole discretion. With respect to the Funds, we may be deemed to have "**Custody**" of such assets pursuant to the Advisers Act's "**Custody Rule**." We seek to satisfy the requirements of the Custody Rule with respect to the Funds by employing the "**Audit Approach**" that requires:

- engaging an independent public accountant registered with, and regularly examined by, the Public Company Accounting Oversight Board to conduct annual financial audits of such Funds prepared in accordance with U.S. Generally Accepted Accounting Principles, and
- delivering the audited financial statements directly to Investors in our Funds within 120 days of the respective Fund's fiscal year end. Our CCO ensures that the Funds' audited

financial statements are delivered to all Investors annually in accordance with the Audit Approach.

We are not deemed to have Custody of the SMA's assets under the Custody Rule because we neither have the authority to hold, directly or indirectly, funds or securities of the SMA nor have the authority to obtain possession of them.

Item 16: Investment Discretion

We will have full discretionary authority over the Funds including the authority to make decisions with respect to which securities will be bought and sold, as well as the amount and price of those securities. Additionally, our affiliate, Formula Growth Limited, will have full discretion over the broker-dealers to be used for transactions and the commissions to be paid to those broker-dealers but will only transact with Approved Broker-Dealers (see **Item 12, "Best Execution"**).

Item 17: Voting Client Securities

Where we are delegated proxy voting authority, we have adopted a proxy voting policy, and procedures, that are designed to ensure that such proxies are voted in the best interest of our Clients. Investors of the Funds may not direct voting of proxies. To the extent that Formula Growth will have proxy voting authority for any current, or future, SMA's, will depend upon the specific investment management agreement ("**IMA**").

Upon request, we will provide our Clients, or prospective investors or clients, with a copy of our proxy voting policies and procedures and/or a record of all proxy votes we have cast.

Item 18: Financial Information

This Item is inapplicable.