MSM Fund

Annual Management Report of Fund Performance

December 31, 2017

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 collect 1-416-591-5923, writing to us at 2101 – 100 Wellington Street West, Toronto, ON M5K 1J3, by e-mailing us at admin@spartanfunds.ca or by visiting our website at www.spartanfunds.ca or SEDAR at www.sedar.com .

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

Management Discussion of Fund Performance

The management discussion of fund performance for the MM Fund (the "Fund") is an analysis and explanation of the Fund's position and financial results for the period from January 1, 2017 to December 31, 2017.

Spartan Fund Management Inc. (the "Manager") is the trustee, investment fund manager and portfolio manager of the Fund.

Investment Objective and Strategies

The Fund's investment objective is to outperform the broad Canadian equity market, as measured by the S&P/TSX Composite Total Return Index, over the long term of 5+ years, providing investors with long-term capital appreciation.

The Fund utilizes a "core and more" approach. The "core" portfolio consists primarily of high yielding or dividend paying Canadian equity securities and, to a lesser extent, real estate investment trusts, convertibles, debt securities, preferred shares and U.S. equity securities.

The "more" portfolio consists of securities that will likely have more volatility but a higher potential for capital gains. The Fund focuses on securities we consider to be inexpensive secular growth securities or beaten down stocks that have turnaround potential, because of new management, or because of an improvement in their macro-economic factors. We may also look to shorter-term event driven trading opportunities around economic and global events.

The investment team thoroughly analyzes current economic conditions and trends in North American and global economies and positions the portfolio accordingly. As a result, sector allocations may vary significantly over time and may result in portfolio weightings that differ substantially from the weightings of the S&P/TSX Composite Total Return Index.

Risk

The overall risk of investing in the Fund remains as described in the most recent prospectus.

Accordingly, the Fund remains suitable for medium to long term investors that are seeking to outperform the S&P/TSX Composite Total Return Index over the long term.

Results of Operations

2017 was another good year for investors, with the Dow Jones up 28.1% on a total return basis, the second best performance in the past decade, and the S&P 500 total return of 21.8%. In 2017 over 1 in 4 trading sessions resulted in new record highs on the Dow, 75 in total, and the S&P 500 was up every month for the first time since 1970. However, we would temper investor enthusiasm by noting that past performance is no indicator of future results, and that the 1970s was a fallow period for stocks.

The TSX total return index returned 9.1%, as resources again held it back. The bull market had its ninth anniversary in March 2018, and it is now one of the longest and strongest in history, with the S&P 500 more than quadrupling from its low of 666.

However, the defining characteristic of stock markets in 2017 was the low volatility. The S&P 500 went a record 404 days without a 5% correction, and a record 16 months without a 3% correction. The average daily change of 0.3% was the lowest since 1964, and the VIX volatility index plumbed record lows around 9.

All 45 countries tracked by the OECD showed growth, meaning there was a perfectly synchronized global recovery for the first time ever. We believe synchronized global demand will mean increased demand for commodities, and is potentially inflationary. This is why we bought our first metals stock (copper) and have been increasing our energy weight since last fall.

Bond yields increased to 2.5% by year end, from 2.0% in September, and rising bond yields are ultimately likely to snuff this bull market, like previous ones. Higher yields on bonds and cash make stock yields relatively less attractive.

Inflation, particularly wage inflation could become a concern with unemployment falling 0.2 percentage points to a record low of 5.7% in Canada, and 4.1% in the U.S., the lowest since 2000. Of note, “have-not” Quebec now has a record low unemployment rate of 4.9%, significantly below the National average. Minimum wage hikes in Ontario, Alberta and 19 U.S. states will likely further push up prices significantly, especially at restaurants.

President Trump’s one but significant legislative achievement was the tax cuts he signed just before Christmas. However, he also had a big economic impact through executive orders, particularly deregulation of the financial sector, and untethering the energy sector (Keystone). The bill cut the corporate tax rate to 21% from 35%. The corporate tax cut should increase earnings for the S&P 500 by about 10%, a clear positive for stocks.

Most taxpayers should see lower taxes, and this should increase consumer spending, while companies should increase capital equipment spending as it is now immediately deductible. Another benefit will be the repatriation of $3.1 trillion in overseas earnings that can then be used for domestic investment, dividends, or stock buybacks. Corporate income can be brought back to the U.S. at tax rates between 8 and 15.5%, versus 36% previously.

Overall, the Fund gained 17.7% (Series D) in 2018, almost doubling the TSX return of 9.1%. We were most happy that the Fund continued to have consistent gains with low volatility, with only three down months in 2017, and one down month in 2016. We were hurt again by smallish investments in the health care sector, although one investment in that sector is up 50% so far in 2018.

Our outperformance was driven by strong gains in some of our biggest investments: IBI Group, Dream Global, Chorus Aviation, Canwel, Photon Control, Pivot Technologies and Stars Group. In the U.S., Citigroup and American Airlines contributed positively. We took a large position in Home Capital in May, benefitted from the subsequent Buffett investment, and have sold most of our position at this point. We were also helped by 4 takeovers in 2017.

The Fund's largest sector weighting is Industrials with a 22.9% weighting. This consists of a 5.2% weighting in airline stocks (Chorus Aviation, American Airlines), a 5.1% weight in Canwel Building, and a 4.4% year end weighting in IBI Group. We took profits in Air Canada in the autumn, with significant gains after the stock hit our $20 target. We reinvested some of the proceeds into American Airlines and Chorus.

The second largest sector is the 20.4% weight in Financials. We increased our weighting in U.S. financials, and bought 3 high-yielding European banks last summer, when the ECB signalled it would ease off on quantitative easing (QE), where the central bank was buying bonds to repress bond yields. Our view is that banks globally will benefit from rising rates, as central banks gradually raise interest rates.

The third major sector for the MM Fund is the 18.6% weighting in Real Estate. However we have been trying to reduce our exposure to rising yields, so the Fund has a 7.7% weighting in high yielding European REITS, where QE is still holding rates lower for longer. These REITS can get 5 year mortgages for near free (1.6% per annum). There is also a 5.1% weighting in U.S. rental housing and apartments, and a 1.9% weighting in more cyclical U.S. hotels. There is only a 4.0% weighting in interest sensitive Canadian REITs, and this has since been reduced as a result of the takeover of Pure Industrial REIT.

The Fund has a 12.3% weighting in convertible bonds and preferred shares, which adds stability and yield to the portfolio.

The Fund's equity portfolio has a 16.6% weighting in U.S. listed equities. US holdings consist of an airline, a drug retailer, an auto company, an auto parts company, a bank and an insurance company. We also have 3 European banks that are listed on U.S. exchanges.

Recent Developments

The Republican tax bill cuts the corporate tax rate to 21% from 35%, and should increase earnings for the S&P 500 by about 10%, a clear positive for stocks. While the average earnings boost is about 10%, domestic US companies should benefit the most, with some of them seeing taxes plummet from 36% to 21%. Multi-nationals will benefit less long term as their taxes are already low as most of these companies take advantage of low-tax jurisdictions. Our US financial and airline holdings should benefit greatly from lower corporate and personal taxes.

S&P earnings are expected to grow another 16% to $145 in 2018, likely too optimistic even with synchronous global growth, as profit margins are already at record levels. Earnings growth accelerated to 17.6% in 2017, compared to only 6% in 2016. Markets were helped by unexpectedly strong earnings growth in 2017 compared to decelerating growth in 2016. Energy, materials and technology led earnings growth in 2017, while the interest sensitive real-estate, consumer discretionary, utilities, and staples lagged. Energy, health care, technology and materials sectors are expected to lead earnings growth in 2018, while the laggards are expected to be the same again.

However, if these estimates hold, the S&P 500 at 2600 is trading at 17.9 times forward earnings, about the same as the long term average of 18.

The combination of strong economic data, and the prospect of further stimulus from President Trump's massive tax cuts, caused bond yields to spike above the key level of 2.7%, and stocks to plummet in early February. Bond yields started the year at 2.4%, rose to 2.7% by the end of January, and then jumped to 2.8% in the first two days of February. Yields have more than doubled from the summer of 2016.

Stock dividend yields are thus relatively less attractive, as back then stocks yielded significantly more than bonds, but the current S&P 500 dividend yield of 1.8% is 100 bps less than the bond yield. As rising bond yields made bonds relatively more attractive, some investors sold stocks and bought higher yielding bonds. Other investors that had been lulled by steady gains and a lack of volatility realized that markets are not a one way street, and the selling quickly cascaded to something more serious as momentum players hit the exits en masse.

The S&P 500 plunged 7.8% in 6 sessions, with a 9.5% intraday correction, and it found support in the 2600 area. On February 5th, the Dow Jones Industrial Average fell 4.6%, or 1,175 points the biggest percentage one-day drop since August 2011, and the biggest point drop ever. With these sudden stock market moves, the VIX volatility index soared to an unsustainable high of 50, from a low of 11 at the end of the January.

Usually, when stocks plunge, investors sell all risk assets (stocks, commodities), and look to the safety of the U.S. dollar and U.S. bonds. However, despite the plunge in stocks, bond yields stayed above 2.7%, and are at 2.8% at end of March. This suggests still higher bond yields ahead.

New Fed Chair Powell took over control of the Fed on February 5th, in the midst of the first stock market correction in two years. He continued Janet Yellen's path of gradually hiking rates, with the jobless rate at 4.1%, a 17 year low. Economists are predicting 3 or possibly 4 rate hikes in 2018. There is a history of new Fed Chairs making policy mistakes by tightening too aggressively early in their terms, which causes a stock market crash (Volker, Greenspan, Bernanke) or recession (Volker and Bernanke). Given that this bull market is the strongest in history, and just cycled its nine year anniversary, over-zealous Fed tightening is a risk for the economy and the market.

At his first meeting as Fed Chair, the Fed hiked rates again as expected. However, markets didn't like the "dot-plot" forecast of 8 more rate hikes over the next two years, which if true means the federal funds rate will rise from 1.5% to 3.5%. With so much consumer and government debt world-wide, we don't believe the economy can handle such high interest rates.

Another big risk is that the party in power usually loses ground in the mid-term November U.S. elections, and this effect is likely to be exaggerated with President Trump's unpopularity. The loss of only a couple of Senate seats will make the President a lame duck with no legislative support to enact his agenda. Impeachment also becomes a high probability, in the more unlikely event that the Democrats win 23 seats in the House, and can begin to order investigations.

Even though stocks turned around mid-February and recovered most of their losses from the 10% correction, those gains were not sustainable. The Dow plunged 724 points the day after the Fed meeting, and 425 the next day.

For stocks, we are in a "no-mans land" as clearly higher bond yields are negative for equities. However, bonds yields will likely only fall if economic data is weak, or markets are under duress, so equity investors can't win.

Thus we believe stocks are likely range-bound at best over the next few months, so we want to increase the yield component in the MM portfolio, where we are "paid to wait". Historically, these securities outperform in down markets. As global economic growth is accelerating, we have increased our emphasis on cyclical dividend growers, while avoiding "fixed income" utility dividend payers.

Overall the yield for the portfolio has increased to 4.4%, from 4.1% late last year. 51.8% of the MM portfolio has a yield greater than 4%, giving it yield protection in down markets as we are "paid to wait". 18.2% of the Fund has a yield greater than 8%. We believe these dividends are sustainable and so far we have not suffered any dividend cuts, or bankruptcies in the high yield portion of our portfolio.

Oil stocks seem to be a particularly compelling opportunity, as oil prices have hit the highest level in 3 years, while the TSX energy index fell 17% in 2017.

Pipelines have only a slight negative correlation to interest rates, and are still poised to increase dividends by high single digits over the next few years. Our three picks each have large growth opportunities: Pembina (Jordan Cove/Alliance), TransCanada (Keystone), and Kinder Morgan (Trans Mountain).

Energy stocks tend to outperform late cycle, and profitability should be buoyed by +$60 oil, and rising U.S. and Canadian production. We have increased our energy weight to 8% from 1% last May, but are still under-weight the TSX benchmark at 21%. Unfortunately the TSX energy sector is underperforming the S&P 500 sector, because the U.S. is benefitting from President Trump's pro-energy agenda, while Canada is throttling the sector with a lack of pipeline approvals.

Energy pipelines companies have a history of stable growth and rising dividends even in falling energy price environments so they are considered “core”. Profitability for energy producers is as volatile as the oil and natural gas prices, so these stocks go in our “more”.

Related Party Transactions

The Fund engages arms-length 3rd party service providers for services such as fund valuation, unitholder recordkeeping, independent review committee, audit, tax and legal advice. The Fund also trades with arms-length 3rd party brokers.

For the provision of management services, the Manager received management fees from the Fund, based on the Net Asset Values of the respective series. The management fees paid are disclosed in the financial statements.

The Fund’s operating expenses had been voluntarily capped at 0.50% pa of the Fund’s Net Asset Value so that while the Fund was in its early, growth phase the expenses borne by the investor were reasonable. The Manager decided as of July 1, 2017 that operating expenses would no longer be capped as the Fund had grown to sufficient size that a cap was no longer necessary.

The decision to cap operating expenses is reviewed periodically and determined at the discretion of the Manager without notice to securityholders.

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 2 years.

The Fund's Net Assets per Unit ($) [1]

Series A	12/31/2016	12/31/2017
Net Assets, beginning of year - (adjusted)	97.04	121.21
Increase/(decrease) from operations:		
Total Revenue	3.84	4.79
Total Expenses (excl. distributions)	-3.42	-4.59
Realized Gains/(Losses) for the period	0.71	5.74
Unrealized Gains/(Losses) for the period	22.97	17.89
Total increase/(decrease) from operations [2]	24.10	23.82
Distributions:		
From net investment income (excl. dividends)	NA	NA
From dividends	NA	-7.67
From capital gains	NA	NA
Return of capital	NA	NA
Total Distributions [3]	NA	NA
Net assets at Date shown	**121.21**	**141.82**

Series D	12/31/2016	12/31/2017
Net Assets, beginning of year - (adjusted)	97.72	122.69
Increase/(decrease) from operations:		
Total Revenue	3.89	4.42
Total Expenses (excl. distributions)	-2.72	-5.21
Realized Gains/(Losses) for the period	0.40	12.65
Unrealized Gains/(Losses) for the period	23.79	4.93
Total increase/(decrease) from operations [2]	25.37	16.79
Distributions:		
From net investment income (excl. dividends)	NA	NA
From dividends	-0.46	-13.01
From capital gains	NA	NA
Return of capital	NA	NA
Total Distributions [3]	-0.46	NA
Net assets at Date shown	**122.69**	**144.40**

Series F	12/31/2016	12/31/2017
Net Assets, beginning of year - (adjusted)	97.42	123.17
Increase/(decrease) from operations:		
Total Revenue	3.88	4.36
Total Expenses (excl. distributions)	-2.45	-4.36
Realized Gains/(Losses) for the period	0.19	14.82
Unrealized Gains/(Losses) for the period	26.66	7.22
Total increase/(decrease) from operations[2]	28.28	22.04
Distributions:		
From net investment income (excl. dividends)	NA	NA
From dividends	-0.99	-15.06
From capital gains	NA	NA
Return of capital	NA	NA
Total Distributions[3]	-0.99	NA
Net assets at Date shown	**123.17**	**146.31**

1 This information is derived from the Fund's unaudited semi-annual financial statements. The net assets per unit presented in the financial statements does not differ from the net asset value calculated for fund pricing purposes.

2 Net assets and distributions are 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. As such, this table is not a reconciliation of beginning to ending net assets per share.

3 Distributions, if any, were reinvested in additional units of the Fund.

Ratios and Supplemental Data

Series A	12/31/2016	12/31/2017
Total net asset value ($000's)	27.23	2,611.17
Number of units outstanding (rounded)	225	18,412
Management expense ratio[1] - before incentive fees	3.15%	3.04%
Incentive Fee Ratio[2]	NA	0.24%
Management expense ratio[3] after incentive fees	3.15%	3.28%
Management expense ratio before waivers or absorptions	5.15%	3.30%
Trading expense ratio[4]	0.68%	0.11%
Portfolio turnover rate[5]	7.10%	20.79%
Net asset value per unit	**121.21**	**141.82**

Series D	12/31/2016	12/31/2017
Total net asset value ($000's)	627.95	3,145.76
Number of units outstanding (rounded)	5,118	21,785
Management expense ratio[1] - before incentive fees	2.52%	2.08%
Incentive Fee Ratio[2]	NA	1.73%
Management expense ratio[3] after incentive fees	2.52%	3.81%
Management expense ratio before waivers or absorptions	4.55%	3.94%
Trading expense ratio[4]	0.60%	0.08%
Portfolio turnover rate[5]	7.10%	20.79%
Net asset value per unit	**122.69**	**144.40**

Series F	12/31/2016	12/31/2017
Total net asset value ($000's)	7,531.25	23,371.09
Number of units outstanding (rounded)	61,146	159,738
Management expense ratio[1] - before incentive fees	2.23%	1.79%
Incentive Fee Ratio[2]	NA	1.39%
Management expense ratio[3] after incentive fees	2.23%	3.19%
Management expense ratio before waivers or absorptions	4.14%	3.40%
Trading expense ratio[4]	0.54%	0.07%
Portfolio turnover rate[5]	7.10%	20.79%
Net asset value per unit	**123.17**	**146.31**

[1] Management expense ratio excluding incentive fees is based on total expenses (excluding incentive fees, distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average weekly net asset value during the period.

[2] Incentive fee ratio is the total incentive fees paid for the stated period expressed as an annualized percentage of average weekly net asset value during the period.

[3] Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs), including incentive fees, for the stated period and is expressed as an annualized percentage of average weekly net asset value during the period.

[4] The Fund's operating expenses had been voluntarily capped at 0.50% pa of the Fund's Net Asset Value so that while the Fund was in its early, growth phase the expenses borne by the investor were reasonable. The Manager decided that as of July 1, 2017, operating expenses would no longer be capped as the Fund had grown to sufficient size that a cap was no longer necessary.

[5] The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

[6] The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser 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 a fund.

Management Fees

The Manager provides investment and administrative services to the Fund. In consideration of these services, the Fund pays the Manager a fee equal to 1.00% per annum of the Net Asset Value of Series A, Series D and Series F, calculated weekly and paid monthly in arrears. The Fund also pays to the Manager a service fee of 1.00% per annum for Series A and 0.25% per annum for Series D which the Manager remits to dealers as consideration for administering its assets held by those dealers. The service fees are calculated weekly and paid to dealers quarterly in arrears based on the assets that each dealer has invested in Series A or Series D, as the case may be, as at the close of each date that the Fund is valued. There is no service fee paid in respect of Series F.

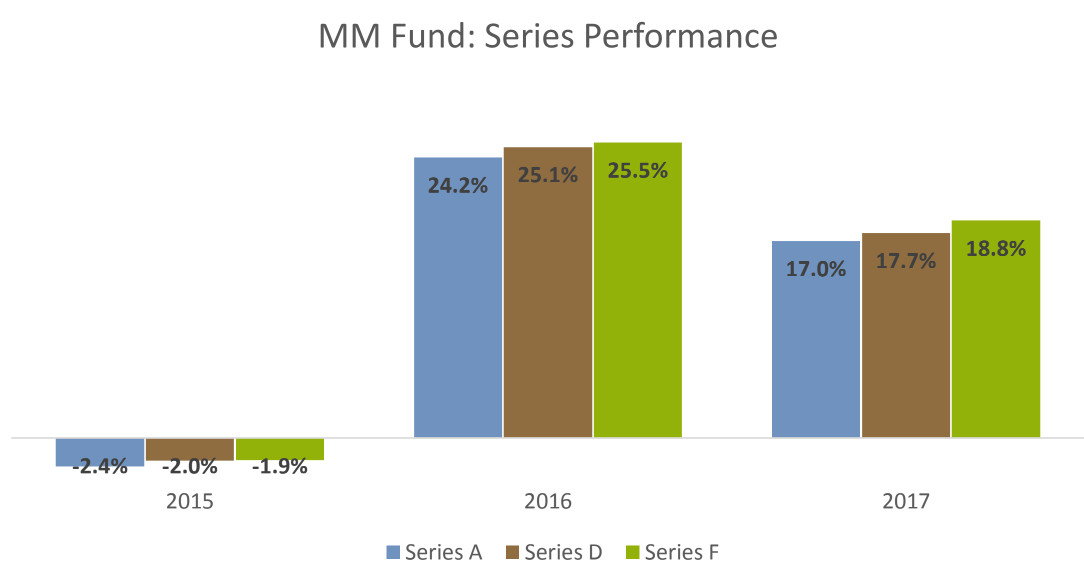
The following is a breakdown of major services received by the Fund in consideration of the management fees for the period, as a percentage of the management fee:

Series	Service Fees	Other
A	50%	50%
D	20%	80%
F	0%	100%

Past Performance

The bar chart below shows the Fund's annual performance for each of the years shown below and illustrates how the Fund's performance has changed from year to year.

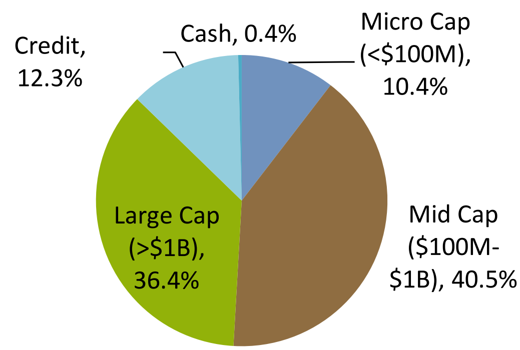
The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



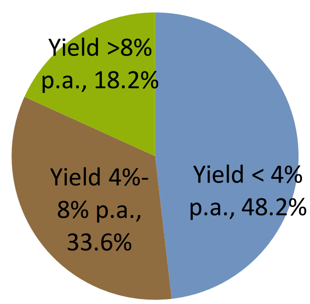
Summary of Investment Portfolio (as at Dec 31, 2017)

Security Name	% of NAV
Dream Global REIT	5.39%
CanWel Building Materials Group Ltd	5.13%
IBI Group Inc	4.42%
Photon Control Inc	3.96%
Chorus Aviation Inc	3.47%
Pivot Technology Solutions Inc	3.27%
Stars Group Inc	2.96%
Pure Multi-Family REIT LP	2.82%
Richards Packaging Income Fund	2.81%
Firan Technology Group Corp	2.72%
Credit Agricole SA	2.53%
Deutsche Bank AG	2.46%
Pure Industrial Real Estate Trust	2.41%
Baytex Energy Corp	2.30%
Inovalis Real Estate Investment Trust	2.28%
Tricon Capital Group Inc	2.27%
American International Group Inc	2.20%
Hydro One Ltd 4% 30SEP2027 CONV. $21.40	2.13%
LOGiQ Asset Management Inc. 7% 30JUN2021	2.11%
Citigroup Inc	2.09%
Parkland Fuel Corp	2.09%
Callidus Capital Corp	2.06%
American Hotel Income Properties REIT LP	1.90%
Bombardier Inc. PFD 2.85%	1.89%
Student Transportation Inc	1.88%
Top 25 Holdings	69.55%

Portfolio Breakdown By Asset Type

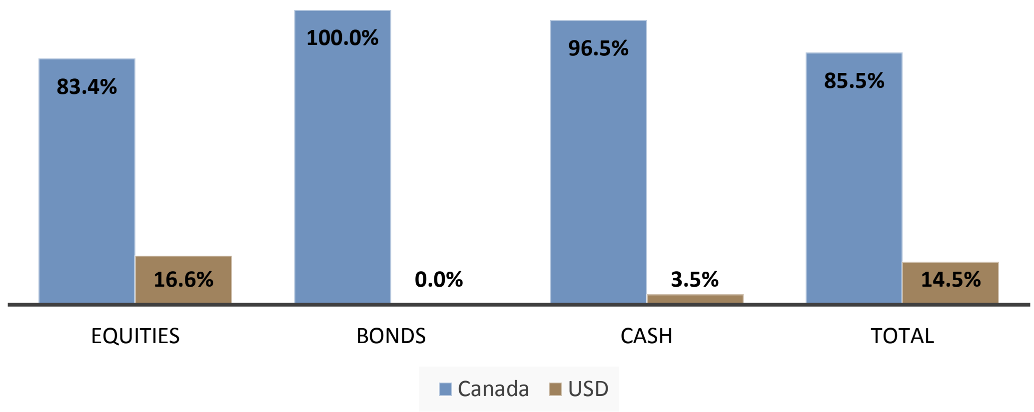


Portfolio Breakdown By Yield

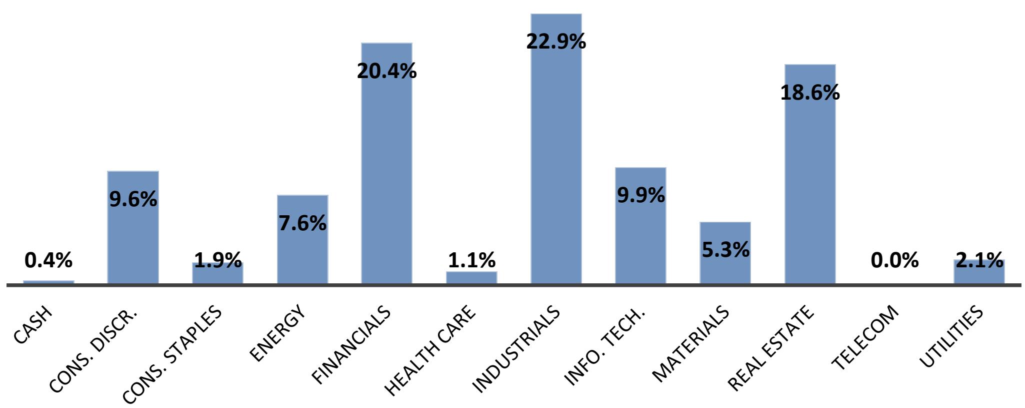


The investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates of the investment portfolio are available on request.

Geographic/Asset Allocation



Sector Allocation



MSM Fund

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Forward-Looking Statements

This management report of fund performance may contain forward-looking statements which reflect the current expectations of the Manager (or, where indicated, the Portfolio Manager) regarding the Fund's future growth, results of operations, performance and business prospects and opportunities. These statements reflect the current beliefs of the person to which the statements are attributed with respect to future events and are based on information currently available to that person. Forward looking statements involve significant risks, uncertainties and assumptions. Many factors could cause the Fund's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward- looking statements. These factors could include, among other things, general economic, political and market factors, including interest and foreign exchange rates, business competition, changes in government regulations or in tax laws. Although the forward-looking statements contained in this report are based upon what management currently believes to be reasonable assumptions, the Manager cannot assure current or prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.