

December 2017 Performance Report

	Teraz Fund	S&P/TSX Venture	S&P/TSX Composite
Monthly Return	1.6%	7.8%	0.9%
Year to Date	42.4%	11.6%	6.0%
Since Inception	93.8%	-42.7%	35.6%

Chief Analyst & Strategist:	Mark Zaret (416-690-5411)
Email:	mzaret@spartanfunds.ca
Portfolio Manager:	John Ackerl (416-601-5606)
Email:	jackerl@spartanfunds.ca
Trustee:	Spartan Fund Management

COMMENTARY

Markets continued higher in December, closing out a good year for equities. U.S. investors have had far more cause to celebrate, although recent strength in commodities appears to be putting Canada in good stead for a stronger 2018. The surprise number for December was the strong performance of the TSX Venture Index, posting a gain of 7.8%.

We registered a gain of 1.6% for the month, not keeping pace with our benchmark. The bulk of the Venture gain came from the red-hot cannabis sector. To put this into perspective, note that just the top five Venture-listed stocks in terms of market capitalization were valued at \$3.5 Billion at month end. Those same 5 companies had combined sales over the past 12 months of \$17M, and registered average stock price gains of 62% in December alone. It is, therefore, no surprise that our results lagged the index. Our mandate is to seek out value in micro-cap stocks, and there is simply no way one can argue that a basket of stocks that trades at a multiple of 200 times trailing twelve month sales represents value. While we believe that cannabis will be an important sector for years to come, we also believe that current market conditions are

bubble-like, with a significant likelihood of a strong shakeout in the coming months.

Having said that, we have enjoyed some good gains in the sector, and hope to continue to in the future, but we pick our spots carefully. For example, during December we participated in a financing in shares of iAnthus Capital, a Canadian company with several U.S. cannabis projects. iAnthus shares were cut in half over the past couple of months on negative press reports concerning the U.S. federal government's stern stance on cannabis; this in spite of several U.S. states making moves towards legalization. We see these fears as unfounded and were able to participate in a financing for iAnthus at a price that was discounted by 50% of the price before the controversy hit. The stock closed 47% higher for the month, and most importantly for us; the company had a month-end market cap of \$65M, a value we consider modest given the large projects it is involved in.

We thank you for your ongoing support, look forward to another good year for the Fund, and wish you the best for 2018.

Disclaimer: *Small and micro-cap companies are risky. The material presented herein is for informational purposes only and should not be construed as providing investment advice. Please refer to the offering memorandum for further discussion of the risks of investing in the Fund.*

MONTHLY RETURNS HISTORY

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	7.6%	21.3%	-0.2%	2.9%	-0.5%	-5.2%	1.6%	10.9%	2.7%	-5.9%	1.8%	1.6%e	42.4%e
2016	-2.5%	12.6%	11.1%	15.5%	0.2%	8.9%	11.6%	3.7%	4.5%	-0.8%	1.4%	-0.5%	85.9%
2015	1.1%	2.7%	2.5%	1.7%	-3.0%	-0.7%	-7.0%	-7.5%	5.0%	2.6%	-6.1%	-0.6%	-9.8%
2014	4.9%	12.4%	1.1%	2.9%	-4.5%	10.7%	-0.5%	-2.1%	-7.2%	-6.3%	-11.0%	-0.2%	-2.3%
2013	-1.2%	-6.6%	-1.2%	-3.4%	2.5%	-3.1%	3.6%	3.8%	-2.0%	-0.3%	-0.6%	0.8%	-8.0%
2012	3.7%	-0.8%	1.1%	-5.5%	-5.3%	-3.7%	3.4%	0.2%	5.1%	-2.9%	-3.7%	-0.9%	-9.7%

