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TeraZ fund



October 2018 Performance Report Fundserv code: 969

	TeraZ Fund	S&P/TSX Venture	S&P/TSX Composite	Chief Analyst & Strategist:	Mark Zaret (416-690-5411)
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Monthly Return	-10.1%	-9.6%	-6.5%	Portfolio Manager:	John Ackerl (416-601-5606)
Year to Date	-22.1%	-24.6%	-7.3%	Email:	jackerl@spartanfunds.ca
Since Inception	51.0%	-56.8%	25.7%	Trustee:	Spartan Fund Management

COMMENTARY

October was a “take no prisoners” month, as markets reacted to higher interest rates and stocks were sold. Cannabis stocks led the correction in Canada, as they were most overdue for a correction. The Venture handily maintained its standing as the worst performing stock market in the world and it is unfortunate that we kept pace. While there is clearly a strong historical correlation between rates and market cycles, we find it quite incredulous to think, at this point, that large amounts of money will leave equities to lock in what are still very low returns in fixed income. We are inclined to think that this is a normal market correction rather than something more ominous.

It is frustrating to see prices down in a portfolio that also failed to thrive in the better market that preceded the correction. Add to that the fact that the great majority of stocks in our portfolio are delivering results that we are quite happy with.

So where was the most damage? Let’s have a close look at a couple of the larger retreats from a dollar point of view.

Shares of Kneat.com were down 13% and are down 36% from recent highs. Over the last year, the company has surpassed our expectation and announced contracts with five multi-national leaders in health care. We see this as a huge validation of their software. Revenues will ramp up significantly in 2019. So why the drop? It was on extremely light volume and there was no news from the company. We, therefore, are not concerned.

Shares of Revival Gold were down 15%, even though the company announced excellent metallurgical results. Recently they published their best results to date: 115 meters of 1.8 grams/ton gold. For an open pit heap leach mine design in friendly Idaho, this is high grade, and we could not have hoped for better. We think the lower stock price speaks to the current market malaise rather than anything fundamental. Confident in management and the project, we see no required action.

To provide more “color” on the current state of things, consider that Entrec Corp. shares were down slightly for the month, even though there were two positive developments. Firstly, they just closed an acquisition, but even more significant is the recent announcement of the go-ahead for the LNG Canada facility in BC, which will impact their business very positively over the coming years. Shares were up 50% mid month on this news but gave it all back by month end. We consider this another big step in the de-risking of this investment and see no reason to change our positive view.

We see reasons for optimism and have several stocks that are rebounding since month end. We look forward to reporting better results in the not-too-distant future.

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
2018	-3.0%	-6.1%	-8.5%	-6.5%	5.0%	-1.9%	5.2%	-2.0%	5.0%	-10.1%			-22.1%
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%	42.4%
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%



Spartan Fund Management Inc.

The above returns are net of management and performance fees for the 'F' series of units, but do not take into account early redemption fees if investments are held less than 1 year. Please review the most recent offering memorandum for a detailed description of the Fund's strategy, objectives and risk factors. The above is provided for informational purposes only and is qualified in its entirety by way of the most recent offering memorandum, which is only available to qualified investors. Prospective investors should consult with a professional financial advisor before investing. Past performance cannot predict future results. Share value and yields will fluctuate. There can be no assurances that any of the Fund's objectives will be met. See Terms and Conditions of our website (www.spartanfunds.ca) for important information and qualifications regarding the use of benchmarking and indices. The index above was chosen as it is a widely used benchmark of the Canadian venture equity market. While the Fund uses this index for long-term performance comparisons, it is not managed relative to the composition of the index. There are differences which include security holdings, geographic and sector allocation which impact comparability. As a result, the Fund may experience periods when its performance differs materially from the index.

The Fund is a related and connected issuer of Spartan Fund Management Inc. Spartan may act as dealer in connection with the distribution of securities of the Fund and will also receive management and performance fees from the Fund.