

MM Fund



Spartan Overview

Spartan, established in 2006, is a Toronto-based investment management company that specializes in niche investment strategies managed by experienced investment managers with proven track records. Spartan's infrastructure adheres to institutional standards with independent risk management and compliance, and well-known third party service providers. This allows our investment management teams to focus on investing and provides investors with the comfort that their money is being managed to the same standard as larger funds.

Fund Overview, Objectives and Strategy

The MM Fund invests utilizing a "core and more" approach. The core portfolio consists of sustainable 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" consists of equity and debt, plus potentially warrants, small and micro capitalization stocks, that will likely have more volatility but a higher potential for capital gains. We will focus on 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, for instance, earnings, politics, war, famine, scandal, seasonality, apathy, etc.

Investments will mostly be made in Canadian equity securities and, to a lesser extent, debt securities and U.S. equity securities. The holdings in the core portfolio will typically be held for longer periods.

Monthly Performance¹

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	TSX
2020	+0.28%												+0.28%	+1.74%
2019	+7.98%	+7.53%	+4.11%	+0.81%	-4.35%	+1.08%	+0.93%	-4.74%	+1.47%	+1.74%	+3.40%	+1.89%	+23.19%	+22.88%
2018	+0.18%	-2.09%	-1.89%	+1.97%	+1.52%	-0.24%	+0.27%	-1.27%	-1.31%	-9.60%	-4.81%	-6.09%	-21.54%	-8.89%
2017	-0.75%	+1.52%	+0.66%	+5.43%	+4.21%	+0.77%	-1.67%	-0.69%	+1.43%	+2.36%	+2.77%	+0.59%	+17.69%	+9.10%
2016	-7.00%	+5.44%	+4.12%	+0.65%	+3.51%	+0.48%	+0.95%	+5.75%	+3.49%	+3.15%	+1.04%	+1.67%	+25.13%	+21.08%
2015							-2.26%	-7.10%	-4.19%	+7.05%	+4.11%	+1.13%	-1.95%	-9.93%

Statistics¹

Cumulative Return (since inception)	39.95%
Annualized Compound Return	7.68%
1-Year Return	14.40%
Sharpe Ratio	0.60
Avg. Monthly Gain	2.56%
Avg. Monthly Loss	-3.53%
Max. Drawdown	21.68%
Annualized Std. Deviation	12.70%
% of Winning Months	69.09%
Correlation	0.65

MM Fund TSX

Cumulative Return (since inception)	39.95%	35.52%
Annualized Compound Return	7.68%	6.92%
1-Year Return	14.40%	14.98%
Sharpe Ratio	0.60	0.78
Avg. Monthly Gain	2.56%	1.88%
Avg. Monthly Loss	-3.53%	-2.08%
Max. Drawdown	21.68%	11.64%
Annualized Std. Deviation	12.70%	8.85%
% of Winning Months	69.09%	67.27%
Correlation	0.65	

Fund Information

RSP Eligible?	Yes
Minimum Investment	\$500
Invest/Redeem Frequency	Weekly
Short Term Trading Fee	2% if < 30 days
Redemption Notice	1 day
'A' Class Fees (SPA520)	2.00% pa
'D' Class Fees (SPA522)	1.25% pa
'F' Class Fees (SPA521)	1.00% pa
Incentive Fee	10%
Hurdle	TSX Total Return Index

Service Providers

Advisor	Spartan Fund Management Inc.
Custodian	Laurentian Bank Securities
Auditor	Deloitte LLP
Administrator	SGGG Fund Services
Legal Counsel	Borden Ladner Gervais

NAV/Unit

- Class A	135.2637
- Class D	139.9517
- Class F	142.6486

¹ Performance numbers are net of management and performance fees for the period commencing July 15, 2015 for the Class D units, but do not take into account early redemption fees if investments are held less than 1 year. Returns and statistics for other classes are available on request. 'Monthly' returns are simple returns and are not annualized. 'Annualized Std. Deviation' is the standard deviation, which measures the amount of variability of returns that has historically occurred relative to the average return. 'Max. Drawdown' is the maximum percentage decline, from the highest point to the lowest point. 'Sharpe Ratio' is the Annualized Compound Return divided by the Annualized Std. Deviation, both measured since inception. 'Correlation' measures the degree to which two securities move in relation to each other.

Monthly Commentary

How quickly things can change in today's world. Coronavirus was on no one's radar as we entered the new decade, but it dominated the headlines a few weeks later. Only two weeks ago stocks were hitting new all-time highs, and bond yields were cruising to 2%. Coronavirus infections are still doubling every 5 days, and they hit the stock market in the last week of January, with the Dow falling 603 points on the last day of January. Bond yields plunged 34bps in two weeks to 1.5%. Stocks did recover last week, but we believe the epidemic has still not peaked, and the economic effects on the world's second largest economy are being underestimated.

In 2003 SARS killed almost 800 people, but this coronavirus has already surpassed that in less than 2 months. The SARS epidemic knocked two full percentage points off China's economic growth. However China's economy is much bigger now. In 2003, China's GDP was an insignificant 4% of the global total, but now China is the world's second largest economy with 17% of world GDP.

The coronavirus does not seem to have peaked yet, Chinese officials reported 108 deaths on Monday, a new daily record. The epidemic is now starting to affect the manufacturing base of the world, as Chinese workers return from the New Year's holiday. The economic worry is that the world's second largest economy is paralyzed as it tries to cope with a spreading virus. The original travel ban in Wuhan, has been expanded to 16 surrounding cities with a combined population of more than 50 million people.

So far these economic headwinds from China have not spilled over to North America, as both Canada and the US posted strong jobs numbers in January. The US trumped expectations with 225,000 new jobs versus expectations for 158,000. The US ISM manufacturing rose to 50.9%, the first reading above 50 (signaling expansion) in 6 months. The services index also topped expectations at 55.5%, a six month high, suggesting strong expansion for 70% of the US economy.

Still, we are keeping our international cyclical exposure low, including low exposure to the materials and energy sector. The drop in yields and 20% drop in oil prices should be stimulative for North American consumers. US mortgage rates have dropped to the lowest level in 3½ years, and mortgage refinancing activity has jumped to the highest level in seven years. Housing related stocks like Tricon and Canwel should benefit from an already hot US housing market and mortgage rates that are approaching record lows.

The drop in bond yields to 1.5% in the U.S. and 1.3% in Canada, make stocks relatively more attractive as the S&P 500 dividend yield is 1.75% and growing.

Aritzia was a big winner for the fund in January, with stellar earnings and same store sales growth. and we are looking forward to the earnings that are to be released for our stocks in February and March.

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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.