

## 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 Performance<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	TSX
2020	+0.28%	-7.56%	-23.35%	+19.76%	+11.04%	+4.93%	+8.05%						+7.12%	-3.32%
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%

## Statistics<sup>1</sup>

Cumulative Return (since inception)	49.49%
Annualized Compound Return	8.30%
1-Year Return	10.97%
Sharpe Ratio	0.42
Avg. Monthly Gain	3.36%
Avg. Monthly Loss	-4.79%
Max. Drawdown	31.45%
Annualized Std. Deviation	19.56%
% of Winning Months	68.85%
Correlation	0.84

## MM Fund

Cumulative Return (since inception)	28.77%
Annualized Compound Return	5.14%
1-Year Return	1.86%
Sharpe Ratio	0.40
Avg. Monthly Gain	2.20%
Avg. Monthly Loss	-3.03%
Max. Drawdown	22.25%
Annualized Std. Deviation	13.00%
% of Winning Months	67.21%
Correlation	

## 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	143.9572
- Class D	149.4943
- Class F	152.5906

<sup>1</sup> 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

"There are decades where nothing happens; and there are weeks where decades happen."

Markets continue to see signs of the strong "V" recovery in the economy, as each store, business, or restaurant in each state or province reopens, with new safety protocols.

Despite setbacks on the virus front in the U.S., the "V" recovery continues with a very strong and better than expected 1.8 million new jobs in the U.S. and 418,000 in Canada. However, the pace of the gains is slowing, as the easy non-social distancing openings have already happened. June had a record 4.8 million new jobs. Unemployment has plunged to 10.2% - the Great Recession highs - from an even worse 14.7% three months ago.

The US manufacturing index rose strongly to 54.2 from 52.6 in June, suggesting strong expansion in manufacturing. This was the strongest reading in over one year. New orders grew even more strongly, rising 5.1 points to a very strong 61.5.

Services are more important for the economy, representing 2/3rds of the economy. Services are coming back even more strongly with a better than expected 58.1, the highest reading since November 2018. The new orders index rose to a record 67.7 from 61.6 the previous month.

Forgive us playing "amateur epidemiologist" again, but the path of the pandemic will determine returns in the coming months. The bad news is that no country save New Zealand, has had success in eradicating this virus that seems to keep popping up. Countries like Australia, Spain, France, Germany and Israel, that seemingly brought the virus under control, have seen large flare-ups in recent weeks.

The U.S. got the new daily counts below 20,000 with the partial shutdowns, but they have soared above 75,000 in mid-July. The U.S. virus response has been an inconsistent mess, but they are learning the hard way the importance of social distancing, and masks indoors when that is not possible. About 80%

of the US population is now under a mask mandate. Bars and night clubs seem to be the culprit for many of the flare ups.

We note Sweden, which was pilloried by the media for keeping schools open and refusing a lockdown, now has new case rates below most other European countries, suggesting it may have achieved herd immunity among the socializing youth. Some models suggest that with a highly infectious virus, the total number of infections will be constant, mitigation protocols to flatten the curve only delay the inevitable.

In any case, therapies and better treatments are lowering death rates, and societies are now doing a much better job protecting the vulnerable. Several promising vaccines are advancing, and the U.S. is likely to begin rolling out a vaccine this fall.

Thus our base case is that the reopening of the economy will continue, albeit at a slower pace, and we continue to emphasize the reopening trade with new investments.

Markets tend to stall out ahead of U.S. elections as investors focus on potential policy changes. This year of course the differences are stark, and the emotions are running extremely high. Joe Biden's policies will not be helpful for stock valuations. He wants to raise corporate taxes to 28% from 21% of profits. Money math suggests that if companies pay 7 points more in taxes then corporate profits are about 10% lower, and stock prices will also be 10% lower if valuations are unchanged. His stated policy to double the capital tax gains will likely cause a stampede in selling at year end, to lock in gains at much lower rates.

We are happy that we were able to turn around the steep losses from the pandemic. At this point raising some cash or buying less volatile bonds and preferred shares seems prudent.

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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 documents, 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 assurance that any of the Fund's objectives will be met. See Terms and Conditions of our website ([www.spartanfunds.ca](http://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 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Unless otherwise indicated, rates of return for periods greater than one year are historical annual compound total returns including changes in unit or share value and reinvestment of all distributions, and do not take into account any sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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.