

# 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 Performance<sup>1</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	TSX
2019	+7.98%	+7.53%	+4.11%	+0.81%	-4.35%	+1.08%							+17.81%	+16.22%
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>

	MM Fund	TSX
Cumulative Return (since inception)	33.47%	25.99%
Annualized Compound Return	7.57%	6.01%
1-Year Return	-6.98%	3.87%
Sharpe Ratio	0.57	0.65
Avg. Monthly Gain	2.74%	1.98%
Avg. Monthly Loss	-3.46%	-2.15%
Max. Drawdown	21.68%	11.64%
Annualized Std. Deviation	13.23%	9.29%
% of Winning Months	66.67%	64.58%
Correlation	0.67	

## 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
<b>NAV/Unit</b>	
- Class A	129.5709
- Class D	133.4728
- Class F	135.8151

<sup>1</sup> Performance numbers are for the period commencing July 15, 2015 for the Class D units. 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.

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.

## Monthly Commentary

The June US jobs report blew away expectations as the U.S. economy created 224,000 new jobs in June, above expectations of 170,000 jobs, and compared to only 75,000 jobs in May. However, we are in a "good news is bad news" world, disappointing markets that had hoped the Fed would slash rates by 50 bps at the July meeting in order to stimulate a weakening US economy. The weak May jobs report ramped up speculation that the Fed would start cutting rates in July, with many calling for a 50-bps cut. Following the strong June report, markets are now pricing in a 25-bps rate cut in July, followed by another cut by year end.

The Institute for Supply Management manufacturing index dropped slightly to 51.7 from 52.1 in May, the third straight decline and the weakest level in three years. The measure of new orders fell to 50, the lowest since December 2015 and suggesting US manufacturing will decline in coming months. The more important non-manufacturing index also fell to 55.1 from 56.9, however a reading well above 50 still suggests robust expansion for 70% of the US economy.

US earnings season starts next week and is likely to be weak with no growth expected from last year. Negative earnings pre-announcements are also running at an above average rate. Markets have rallied 9% in a month, on rate cut hopes, so it's not a good set up short term as the Fed may disappoint at its July meeting.

Still bond yields have done the heavy lifting for both the economy and markets as US bond yields have fallen 38% to 2% from 3.2% last fall when the Fed was steadily raising rates by ¼ point per quarter. This dramatically lowers the long-term borrowing costs for companies, and more importantly the drop in mortgage rates is hugely stimulative to the US housing market which was weakening with higher borrowing costs.

Stocks are now more attractive as growing yields of 1.9%, compares favorably to fixed income bond yields of 2%. This brings back the TINA (There is no alternative (to stocks)) argument for the stock market of the last ten years.

Moreover, the S&P 500 hit new highs in early July, but it is more broad based than the FAANG and MAGA leadership of the last few years. Microsoft is the only mega-capitalization technology stock to hit new highs this year. A more broad base rally is positive for MM, as Alibaba is the only mega-cap tech holding.

The MM Fund is having a good year in 2019, with +18% gains, but we are most happy with the steady gains as the fund is up 5 of 6 months. In June the fund saw steady gains from both the "core" and the more speculative "more" portfolios. We have not added to our energy stocks in Q2, and we took profits in TransCanada, leaving the fund with a 9.2% weight in energy, about half the TSX index. Given Canadian pipeline issues we have no pure-play Canadian producers.

We also exited 4 of the positions that were not working for the fund this year. While a pullback in stocks is likely given traditional choppy summer markets, we believe the portfolio is well positioned for the upcoming earnings season.

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The above returns are net of management and performance fees for the 'D' 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 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.

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.