

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%	-7.56%	-23.35%	+19.76%	+11.04%	+4.93%							-0.86%	-7.47%
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) 38.36%
 Annualized Compound Return 6.77%
 1-Year Return 3.66%
 Sharpe Ratio 0.35
 Avg. Monthly Gain 3.25%
 Avg. Monthly Loss -4.79%
 Max. Drawdown 31.45%
 Annualized Std. Deviation 19.45%
 % of Winning Months 68.33%
 Correlation 0.84

MM Fund

38.36%
 6.77%
 3.66%
 0.35
 3.25%
 -4.79%
 31.45%
 19.45%
 68.33%
 0.84

TSX

23.25%
 4.31%
 -2.17%
 0.33
 2.15%
 -3.03%
 22.25%
 12.98%
 66.67%

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

NAV/Unit

- Class A 133.3159
 - Class D 138.3571
 - Class F 141.1888

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

"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.

The June U.S. jobs report saw a record 4.8 million new jobs, following a record 2.7 million new jobs in May, and beating expectations for a 2.9 million increase. But the economy has only regained about one third of the 20.5 million job losses of April. Unemployment plunged to a depression level 11.1% from an even worse 14.7% two months ago.

The leisure and hospitality sector (restaurants, casinos, etc.) has of course been hardest hit by the shutdown, and again accounted for half the job gains. Retail bounced back strongly as stores opened with 740,000 jobs, and manufacturing jobs increased 356,000. One of the unfortunate health consequences of the pandemic, is that with the focus on COVID, many other important health procedures were deferred or neglected, and health workers were laid off. In June there were 568,000 more jobs in the education and health area, following 424,000 new jobs in May.

The ISM Manufacturing index gained more than expected, soaring to 52.6 from 43.1 in May. New orders grew even more strongly, rising 24.6 points to a strong 56.4.

June will likely be the peak for job re-gains, as most of the US economy was reopened in May and June, and large sectors like air travel, conferences, theaters, restaurants, and bars remain throttled for health concerns.

Optimism about the economy pushed the Dow to its best quarter since 1987, and the S&P 500 had its best performance since 1998. Following the top 10 best quarters since 1950, the S&P 500 index has climbed every time in the next quarter with an average 8% jump. History does not always repeat itself but the index was higher one year later following nine out of the 10 best quarters, with the exception of the 1987 stock market crash, a SunTrust study found.

The MM Fund was aggressively repositioned in February and March for both near and medium-term opportunities that the "new normal" of the pandemic has unfortunately brought us. The Fund now has 4 categories of investments: bonds and preferred stocks; companies that we believe can benefit from the worldwide effort to mitigate the COVID virus; companies that we believe can thrive in the "new normal" with continued social distancing in the reopening; and gold and silver. It is critical to position the portfolio, for the sequencing that will happen as the economy is opened up.

In June the COVID portfolio, and the reopening portfolio continued to move higher, and precious metals benefitted as gold moved to US\$1800, a nine-year high. The COVID portfolio is mainly healthcare, but also includes technology and stay-at-home stocks.

In recent weeks we have been emphasizing the reopening portfolio, where we see the sharpest near term gains, as businesses small and large tentatively reopen. These companies have seen their revenues fall 5 to 75% with the shutdown but are now recovering rapidly as the economy reopens. Engineering and green companies should still benefit from government support for long term

projects and are already almost back to normal. We believe consumers will want to get out of the house and yearn for small luxuries like fast food initially.

Canada has been successful in flattening, and then bending the curve. Canada had daily new cases above 1,000 for most of the second quarter, but this has dropped to a couple hundred per day with a successful reopening and continued social distancing and mask wearing in confined spaces.

Daily new cases in the U.S. peaked at 38,000 on April 26th and have been steady above 20,000 since.

However, the U.S. reopening is not going well as it saw a record 54,000 new cases per day in early July. A lack of mask wearing, and covidots at indoor bars seem to be the culprits. The good news is that hair salons, gyms, tattoo parlours, medical offices, etc. can be operated safely, provided safety protocols are put in place.

A number of companies are working to rapidly develop a vaccine, and it looks like a safe and effective vaccine may be ready for the fall. But even without a vaccine, doctors are now much more effectively treating patients. Anti-inflammatories and Remdisivir (Gilead) improve the survival for the very sick and hydroxychloroquine does work if used early, doubling the survival rate.

Parents will be glad to know Canada's preeminent Sick Kids Hospital is recommending school reopening:

- evidence is mounting that children may be less susceptible to SARS-CoV-2 infection and may be less likely to transmit the virus to others;
- there is also strong evidence that the majority of children who become infected with SARS-CoV-2 are either asymptomatic or have only mild symptoms, such as cough, fever, and sore throat;
- while serious disease requiring hospitalization is known in children, including multisystem inflammatory syndrome in children (MIS-C), this is relatively rare and is generally treatable;
- the community based public health measures (national lockdown, school closures, stay at home orders, self-isolation, etc.) implemented to mitigate COVID-19 and "flatten the curve" have significant adverse health and welfare consequences for children;
- during outdoor activities, such as recess, physical distancing should not be required. Children should perform hand hygiene prior to sport activities/outdoor play/playground use;
- sports and physical education classes should be encouraged and continue according to available protocols;
- schools should endeavor to offer as many of their usual clubs and activities as possible.

Conclusion: it is critical that we balance the risks of COVID-19 in children, which appear to be minimal, with the harms of school closure which is impacting their physical and mental health. It should be recognized that it will not be possible to remove all risk of infection and disease now that SARS-CoV-2 is well established in many communities.

The report emphasizes hand hygiene and social distancing, so I will bring hand sanitizer for the teams that I coach so that all the kids can clean their hands before and after practice!

Please share this important report with others.

MM Fund



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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.