

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
2019	+7.98%	+7.53%	+4.11%	+0.81%	-4.35%	+1.08%	+0.93%	-4.74%	+1.47%	+1.74%			+16.92%	+18.08%
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

	MM Fund	TSX
Cumulative Return (since inception)	32.47%	28.00%
Annualized Compound Return	6.77%	5.92%
1-Year Return	4.52%	13.25%
Sharpe Ratio	0.52	0.66
Avg. Monthly Gain	2.62%	1.88%
Avg. Monthly Loss	-3.53%	-2.08%
Max. Drawdown	21.68%	11.64%
Annualized Std. Deviation	12.98%	8.96%
% of Winning Months	67.31%	65.38%
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	128.2697
- Class D	132.4664
- Class F	134.9217

¹ 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 US economy created 128,000 jobs in October, beating estimates of 75,000 new jobs, even as the now resolved GM strike of 46,000 workers reduced manufacturing jobs. Excluding the strike and Census temporary hires, economists estimate payrolls rose by about 190,000 in October, almost 3 times estimates, showing that worries about an impending recession, were at best one year too early.

Many economists have been forecasting a recession for the US, after a ten year expansion, after the ISM manufacturing index fell to 47.8 in September, which was the lowest level since June 2009. However, it bounced up to 48.3 in October, and the more important services index (70% of the economy) rebounded strongly to 54.7 from 52.6 in September, and above expectations of 53.5. This suggests Fed interest rate cuts have helped the US economy reaccelerate into the fall.

Earnings are also coming in above expectations. 70% of S&P 500 companies have reported third quarter earnings, and 76% have beaten expectations, compared to an average 65% beat rate since 1994. Earnings are flat from last year, better than the 2% decline predicted a month ago.

The Fed cut rates for the third time in October. Last year at this time the markets were expecting the Fed to hike rates four times in 2019. Instead the market forced the Fed to cut rates 3 times. Lower rates are helping both consumer and corporate borrowers, and the large fall in mortgage rates is providing stimulus to the all important housing market and consumers. US housing starts jumped 15% in August.

October was a good month for MM, in both the core and the more, with the exception of the energy sector which comprises 8.9% of the portfolio. However, so far in November our energy holding are contributing nicely with the 10% bounce in oil prices since mid October. Aritzia and Parkland had positive moves post earnings, and the fund had a "green" win on the "more" side. The fund increased its US holdings to 11.6%, and initiated a position in Apple in early October. The fund also had gains on the debt side (12.6% of the portfolio).

With bond yields still about half the 3.25% level of the highs in 2018, and cash yielding less and less, stocks are again benefitting from TINA (There Is No Alternative). The S&P 500 yield is 1.9% and growing, and compares favorably to fixed income ten year bond yields of 1.8%. We are optimistic stocks will end the year strongly, including a nice Santa Claus rally.

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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 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 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.