

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% | | | | +14.92% | +19.11% |
| 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) | 30.20% | 29.11% |
| Annualized Compound Return | 6.47% | 6.26% |
| 1-Year Return | -7.13% | 7.06% |
| Sharpe Ratio | 0.49 | 0.69 |
| Avg. Monthly Gain | 2.65% | 1.88% |
| Avg. Monthly Loss | -3.53% | -2.15% |
| Max. Drawdown | 21.68% | 11.64% |
| Annualized Std. Deviation | 13.10% | 9.03% |
| % of Winning Months | 66.67% | 66.67% |
| Correlation | 0.66 | |

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 | 126.1567 |
| - Class D | 130.2014 |
| - Class F | 132.5823 |

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 prospect of impeachment became the focus of the news media in September, but this late in the Presidential cycle, investors are already focused on the next US election, which is only one year away at this point. With Sander's health problems, and Biden embroiled with Trump, President Trump versus Senator Warren looks most likely for next November. It's still early to see how the election will shake out, but it is certain to become a market focus next spring. For now investors are still focused on interest rates, trade, and whether the US can avoid a recession in 2020.

The US yield curve inverted this summer, and investors have been combing through the economic data to determine whether the economy will weaken further. An inverted yield curve (long rates lower than short rates like t-bills), has historically been a reliable recession forecaster, causing a downward spiral of further buying of defensive bonds and selling stocks on recession worries. Investors are worried that following weakness in Europe and China, the US economy is now rolling over too. Trade is a related worry, as Trump's trade war has so far slowed the economies of China and Europe, and further escalation would certainly hurt the US as well.

However, we believe US yields dropped not because of an impending recession but because QE (central bank bond buying) in Europe and Japan pushed yields negative for \$16 trillion in bonds worldwide. Thus US yields of 1.5% are very attractive to global investors.

The US ISM Manufacturing Index fell to 47.8, the lowest level since 2009, suggesting contraction for manufacturing. The more important ISM Services index (70% of the US

economy) also fell to 52.6, but a reading over 50 still suggests expansion for most of the US economy.

The US economy created 136,000 jobs in September, and markets liked that previous months were revised up. Unemployment dropped to 3.5%, the lowest level in 50 years.

Leading indicators like housing suggest the US consumer will continue to spend. Bond yields have fallen in half in the last year, and this has provided fresh stimulus for housing. The median U.S. home price for existing home sales rose an attractive 4.7% in August from last year.

The 1.9% yield for the S&P 500 and the 3.1% yield for the TSX is attractive versus fixed income bond yields of 1.5% in the US and 1.25% in Canada, as dividends should continue to rise provided a recession is avoided. Still the next few months will be critical on both the trade and impeachment front.

The MM Fund benefitted from its third takeover since June in the first week of October, as one of our larger positions, Stars Group, received a takeover offer. The Stars Group is a leading player in online gaming and betting, and low valuation resulted in Canada losing another leading global business. The MM Fund is comprised of undervalued stocks with growing or sustainable earnings, and if unfortunately the market continues to not recognize that value, then competitors or private equity buyers will.

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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.