MM Fund

Spartan Fund Management

November 2020

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[1]

	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%	+3.47%	-2.24%	+2.83%	+11.00%		+23.69%	+3.81%
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[1]

	MM Fund	TSX
Cumulative Return (since inception)	72.62%	38.28%
Annualized Compound Return	10.69%	6.21%
1-Year Return	26.02%	4.28%
Sharpe Ratio	0.55	0.46
Avg. Monthly Gain	3.52%	2.40%
Avg. Monthly Loss	-4.66%	-2.99%
Max. Drawdown	31.45%	22.25%
Annualized Std. Deviation	19.54%	13.48%
% of Winning Months	69.23%	66.15%
Correlation	0.84	

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	165.8168
- Class D	172.6207
- Class F	176.2769

*[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

Markets continued rising in November, as, surprise, surprise, surprise, 3 safe and effective vaccines were announced one week after the US election. Vaccines are likely to be approved next week in the US and ready to roll-out to tens of millions of people in the US under Operation Warp Speed. Unfortunately, even as Canada spent billions, we are at the back of the bus, and will not have full vaccination of the population till September.

Markets generally do not like uncertainty, and divided government and “gridlock” means “more of the same” which has been generally pretty good for both the economy and markets ex-Covid. Biden’s promised $4 trillion tax hikes are likely to be tempered or off the table if the Republicans maintain control of the Senate. Control of the US Senate depends on the Georgia run-off election on January 5th. Biden also cannot likely do large stimulus or a “green new deal” without Senate control so the focus shifts again to monetary policy. Low rates and massive quantitative easing (money printing) is likely for years to stimulate the economy and offset the virus shutdowns. TINA (there is no alternative) to stocks continues, with bonds and cash yielding zero or even negative.

The v-shaped recovery from the April lockdowns continues, however, the pace is slowing with a risk of stalling out over the winter as the virus rages, and vaccines will not bring down numbers until tens of millions are inoculated. The easy non-social distancing hirings have already happened, and the hospitality and travel sector remains throttled with fear and will be hurt by more lockdowns. June had a record 4.8 million new jobs in the US, July 1.8 million but November had a disappointing new 245,000 jobs. Unemployment edged down to 6.7% from 6.9% - less than half the 14.7% peak of April.

The US manufacturing index fell to 57.5, after jumping to 59.3 in October, versus 55.4 in September, suggesting the growth in US manufacturing is decelerating. This unusual “stay at home” recovery is all about “things” and less about services. Services are more important for the economy, representing about 2/3rds of the economy. The services index rose fell to 55.9 from 56.6 while the backlog of orders fell to 50.7 from 54.4, suggesting slowing growth for the services part of the economy.

We are now at the worst part of pandemic with cases and hospitalizations spiking with a seasonal winter virus surge, yet a vaccine is just around the corner. We can finally see light at the end of the tunnel and we urge everyone to take pre-cautions for a few more months until the vaccine arrives.

The next few months will be tough economically with more lockdowns and voluntary hibernations. However, things will start opening up rapidly in the spring as seasonal viruses, of which COVID is just another, peak in the winter while at the same time the population becomes inoculated. We are likely to see job losses for the first time since April because of winter lockdowns.

Still with positive vaccine news “reopening” was the theme for markets in November, and MM benefitted with 50% of the Fund comprised of “reopening” stocks. For investors sequencing will be critical. For instance, MM has exposure to quick service restaurants, and energy companies that are doing OK with partial lockdowns, and will see business grow as life returns to normal. About 40% our "reopening" portfolio is still down significantly from pre-pandemic levels (20% of the portfolio) so we'd expect further gains there as the economy reopens further in the spring and summer. The Fund also benefitted from a large position in a green energy company and an engineering company. We initiated a position in a small capitalization copper exploration company, combined with a copper producer, so the Fund has exposure to the “things” everyone is buying now. We can see a return to normal by next summer, with a booming economy and low rates, and are leaning on our “reopening” portfolio with the positive vaccine news.

28.7% of the portfolio is “Covid” stocks: health care and some service/technology stocks that benefitted from the lockdowns. In November we had nice gains in a small capitalization online gaming stock.

9.6% of the portfolio is bonds and preferred stocks where we are paid to wait.

However, our 11.3% gold weight hurt the fund in November as gold fell $100 in November. We continue to believe negative rates and massive money printing is good for gold which zoomed up $98 so far in December. We believe higher taxes, more regulation, and the replacement of an “America First” trade agenda with a globalist agenda will mean relatively slower US growth, and a weaker US dollar, helping gold and commodities in general.

Investor Contacts:

Gary Ostoich
416-601-3171
gostoich@spartanfunds.ca

Ed Sollbach
416-601-5607
esollbach@spartanfunds.ca

Paul Patterson
416-601-3175
ppatterson@spartanfunds.ca

Advisor Contact:

Brent Channell
416-601-3172
bchannell@spartanfunds.ca

Spartan Fund Management Inc.
100 Wellington St. W., Suite 2101
Toronto, ON M5K 1J3
www.spartanfunds.ca