

## 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
2021	+7.38%	+6.55%	+0.57%	+1.92%									+17.27%	+10.63%
2020	+0.28%	-7.56%	-23.35%	+19.76%	+11.04%	+4.93%	+8.05%	+3.47%	-2.24%	+2.83%	+11.00%	+11.20%	+37.54%	+5.60%
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<sup>1</sup>

Cumulative Return (since inception)	125.11%	55.62%
Annualized Compound Return	15.04%	7.93%
Last 12 Months Return	89.56%	33.31%
Sharpe Ratio	0.77	0.60
Avg. Monthly Gain	3.72%	2.46%
Avg. Monthly Loss	-4.66%	-2.88%
Max. Drawdown	31.45%	22.25%
Annualized Std. Deviation	19.58%	13.18%
% of Winning Months	71.43%	67.14%
Correlation	0.81	

## MM Fund

## TSX

## 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	216.0876
- Class D	225.1077
- Class F	230.2095

<sup>1</sup> 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

After a dramatic 2020, both to the down and then upside, we are becoming comfortable with more boring markets and steady gains, particularly as they are broad based.

As we now lap one year since the first shutdowns, we see the economy and earnings bouncing back remarkably, due to unprecedented government stimulus. U.S. GDP could grow a torrid 7% in 2021, with an almost full reopening, as 58% of their population has now been inoculated, and COVID cases and deaths are both down about 83% from their peaks.

However, between the stimulus cheques, which were supposed to be temporary, and all the expansions of unemployment and other benefits, 34% of household spending last month came from the government. Biden's \$1.9 trillion stimulus cheques went out in March, giving out \$1,400 cheques to every American, plus 100s of billions for local governments. Government stimulus pushed income up a record 21% in March, and consumer spending was up 4.2% overall, and 8% for goods. There is still a lot of pent-up demand, as, despite the increased spending, the savings rate was 27%.

All told U.S. COVID relief packages total \$5.9 trillion dollars, a clearly unsustainable 29% of GDP. Biden has another \$2.3 trillion "infrastructure" plan cued up to pour more gasoline on the fire.

Even with the huge government stimulus, there was a huge miss for the April jobs. The consensus was for over 1 million new jobs, but only 266,000 were created, the third lowest jobs number since the pandemic zenith last May, and the second biggest miss in history.

Job openings for March were much higher than expected at a record 8.1 million in the middle of a pandemic, up from 6.7 million at year end. The U.S. economy is down about 8 million jobs since the pre-pandemic peak last February, so the economy would have a total recovery if all these jobs were filled. Employers are complaining they cannot fill jobs even with increased wages, and we believe many people do not want to take jobs that do not pay sufficiently more than enhanced unemployment benefits. Thus, the miss on jobs was not demand related, but because there was not enough supply of willing workers.

The ISM manufacturing index fell from March, but at 60.7 it still suggested rapid growth in the manufacturing sector. The prices index however continued to soar, up 4% to a near record 89.6, the highest level since 2008, with all commodities, save propylene, up in price.

The ISM services index, representing 77% of the U.S. economy, fell 1% from the record high in March. The prices paid index rose again to 76.8, also the highest level since 2008, when energy prices were over twice what they are now.

U.S. prices (C.P.I.) are up 2.6% from last year, already above the Fed's 2% target, and with the reopening combined with further stimulus, high savings, and pent-up demand we could see prices increasing 4%

year-over-year.

So yes, inflation is coming, yet U.S. bond yields are only 1.6%, well below inflation.

We know some readers are bored of the U.S. ISM, jobs, interest rates, virus cases and vaccinations etc. that are necessarily repetitive, and admittedly little connected to the MM portfolio, especially as only 7.3% of the portfolio trades on U.S. exchanges. But the MM monthly pushes us to do the macro research necessary to formulate our top-down macro strategy. We find the quiet heavy thinking we do each month helps us identify important trends, formulate strategy and gives us the confidence to make major shifts in the portfolio.

For instance, last March, we repositioned the portfolio for the pandemic with Covid stocks, early reopening stocks, and a minor gold position. Since the fall we have been reducing Covid health care and stay-at-home stocks and emphasizing reopening investments. This year we further reduced Covid and technology, emphasizing inflation with copper, energy and financial investments.

In December industrials was the largest sector, followed by materials and health care. We have successfully pivoted the portfolio from Covid and green, to reopening and energy, as Xebec, our largest position in December, is no longer in the portfolio. Materials is now the largest sector, followed by health care and energy which is up 380 bps.

MM continues to emphasize the "reopening" with new positions in financials, energy, an airline and mining, and selling in healthcare and lockdown names. The "reopening" portfolio has increased to 61% of portfolio weight from 56% at the end of February.

We have tilted to the "things" economy with an 8.3% weight in copper and a 4.5% weight in lumber. The MM Fund also has a Canadian copper producer with growing production, an emerging U.S. producer, and a Canadian copper exploration play with billions of pounds of copper in the ground.

Gold (7.3% of MM) has hurt our results in 2021, but helped since April, as gold prices increased \$150 per ounce. With soaring commodities overall (lumber, food, energy, copper), we expect gold prices to increase further to reflect higher prices for the commodity complex. There are negative real yields in most countries, as bond yields are below the rising inflation rate, and negative real yields have historically been positive for gold.

We dipped our toes into the travel sector in April with a small position in an aircraft leasing company, kicking ourselves that we did not see that the car rental business was best positioned in this reopening.

We also received news on May 10th that one of our larger positions, Photon Control, was acquired for a nice premium.

## Investor Contacts:

**Gary Ostoich**  
416-601-3171  
[gostoich@spartanfunds.ca](mailto:gostoich@spartanfunds.ca)

**Ed Sollbach**  
416-601-5607  
[esollbach@spartanfunds.ca](mailto:esollbach@spartanfunds.ca)

**Paul Patterson**  
416-601-3175  
[ppatterson@spartanfunds.ca](mailto:ppatterson@spartanfunds.ca)

## Advisor Contact:

**Brent Channell**  
416-601-3172  
[bchannell@spartanfunds.ca](mailto:bchannell@spartanfunds.ca)

**Spartan Fund Management Inc.**  
100 Wellington St. W., Suite 2101  
Toronto, ON M5K 1J3  
[www.spartanfunds.ca](http://www.spartanfunds.ca)

# MM Fund



*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 documents, 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](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. 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.*

*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.*