

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
2021	+7.38%	+6.55%	+0.57%	+1.92%	-0.47%	-1.29%							+15.22%	+17.28%
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%

Statistics¹

Cumulative Return (since inception)	121.18%
Annualized Compound Return	14.25%
Last 12 Months Return	59.86%
Sharpe Ratio	0.74
Avg. Monthly Gain	3.72%
Avg. Monthly Loss	-4.32%
Max. Drawdown	31.45%
Annualized Std. Deviation	19.35%
% of Winning Months	69.44%
Correlation	0.80

MM Fund

Cumulative Return (since inception)	64.97%
Annualized Compound Return	8.76%
Last 12 Months Return	33.85%
Sharpe Ratio	0.67
Avg. Monthly Gain	2.48%
Avg. Monthly Loss	-2.88%
Max. Drawdown	22.25%
Annualized Std. Deviation	13.06%
% of Winning Months	68.06%
Correlation	0.80

TSX

Cumulative Return (since inception)	64.97%
Annualized Compound Return	8.76%
Last 12 Months Return	33.85%
Sharpe Ratio	0.67
Avg. Monthly Gain	2.48%
Avg. Monthly Loss	-2.88%
Max. Drawdown	22.25%
Annualized Std. Deviation	13.06%
% of Winning Months	68.06%
Correlation	0.80

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	212.0549
- Class D	221.1770
- Class F	226.2985

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

Jerome Powell, Fed Chairman, famously said in June of last year, that he was "not even thinking about thinking about" reducing stimulus. But in June of this year, he said the Fed is "talking about talking about" removing stimulus. So, in coming months we expect the Fed to signal how it will reduce (taper) its \$120 billion a month in asset purchases (QE) that has caused its balance sheet to double to over \$8 trillion during the pandemic. We expect the Fed to start tapering in the fall, and as further progress is made in reducing unemployment it may raise rates in late 2022 or 2023.

Fed projections for growth for 2021 have increased to 7% from 6.5%, and they expect 4.5% unemployment. But the big change is that their inflation forecast is now 3.4% versus 2.4% previously. Seven of 18 Fed officials now see the Fed raising rates in 2022, to quell rising inflation.

U.S. prices rose 5% in May vs. May 2020, the highest rate since 2008, from the pandemic lows of a year ago. Even without food and energy (which everyone still needs), prices were up 3.8% year-over-year, the highest since 1992. The Fed's preferred inflation gauge, the PCE price index rose 3.9% from a year ago.

The ISM non-manufacturing index, that represents about 75% of the U.S. economy, fell 3.9% from the record high hit in May. Many respondents complained about labor shortages, and the prices index fell 1.1 points from the highest level since 2008.

The ISM manufacturing index was at a high level of 60.6, suggesting continued rapid manufacturing expansion, with the prices paid index hitting all-time highs over 40 years. All 18 industries reported paying higher prices, and 256 commodities were up in price with only acetone down.

The U.S. jobs report, beat expectations with 850,000 jobs, while wages increased 3.6% year-over-

year. 343,000 new jobs were in the pandemic hit hospitality sector, but despite the big increase the sector is still down 2.2 million jobs from February 2020.

Despite all the good economic news, U.S. 10-year bond yields have tumbled from 1.75% at the end of March to 1.25%, with the Fed tapering and the advance of the Delta variant globally tamping down growth expectations. This fall in yields provides a bullish reset for equity valuation as the average S&P 500 dividend yield of 1.37% is now higher than U.S. 10-year bond yields of 1.25%. Lower yields also provide stimulus to consumers and the housing market, where MM is invested building stocks.

We continue to reduce the Covid part of the portfolio while adding yield through telecom stocks and REITs. The MM fund has a higher than average yield of 2.7%, up from 2.6% in March. We have been buying preferred shares and convertibles in recent weeks, and 8.5% of the portfolio is in high yielding preferred shares and converts, up from 7.4% at year end.

Financials (10.8% of portfolio) jumped nicely on July 9th, with the 10 bps jump in 10-year bond yields to 1.35%. The rise in yields triggered a broad cyclical rally, including a 2% rise in oil and copper prices. MM has an 8% exposure to copper and metals equities. The Fund also has a 14.4% exposure to energy (including 6.4% high yielding pipelines) based on our belief that energy stocks valuations are still only discounting \$50 oil, and not reflecting the unprecedented reversal in oil prices from negative to over \$75 over the last year. Energy stock prices have to rise significantly to catch up to \$75 oil.

The "reopening" portfolio has increased to 68% of portfolio weight from 56% at the end of February. We believe our reopening portfolio is well positioned for earnings that will be released in coming weeks.

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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.