

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%	-1.97%	+1.23%	-1.05%	+3.56%	-3.27%		+13.33%	+21.38%
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)	117.54%
Annualized Compound Return	12.97%
Last 12 Months Return	26.02%
Sharpe Ratio	0.69
Avg. Monthly Gain	3.67%
Avg. Monthly Loss	-4.05%
Max. Drawdown	31.45%
Annualized Std. Deviation	18.87%
% of Winning Months	67.53%
Correlation	0.80

MM Fund

Cumulative Return (since inception)	117.54%
Annualized Compound Return	12.97%
Last 12 Months Return	26.02%
Sharpe Ratio	0.69
Avg. Monthly Gain	3.67%
Avg. Monthly Loss	-4.05%
Max. Drawdown	31.45%
Annualized Std. Deviation	18.87%
% of Winning Months	67.53%
Correlation	0.80

TSX

Cumulative Return (since inception)	70.72%
Annualized Compound Return	8.75%
Last 12 Months Return	23.47%
Sharpe Ratio	0.68
Avg. Monthly Gain	2.48%
Avg. Monthly Loss	-2.80%
Max. Drawdown	22.25%
Annualized Std. Deviation	12.83%
% of Winning Months	67.53%
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	207.9324
- Class D	217.5434
- Class F	222.8492

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

The economy continues to send out contradictory signals:

The November jobs report disappointed with 210,000 new jobs versus expectations of 550,000, and compared to 531,000 new jobs in October. Despite that, the unemployment rate plunged to 4.2% from 4.6%, the lowest rate since February 2020, pre-pandemic.

Wages grew 4.8% over the last year, but that lags Inflation, which is running at 6.2%, the highest level since 1990. The worry is that inflation becomes entrenched as workers chase inflation by demanding wage increases that at least match cost of living increases.

The ISM manufacturing index rose to 61.1, while the services index jumped from 66.7 to 69.1, a record high. Prices, however, paid hovered near an all-time high at 82.3, with respondents complaining about labor shortages, transportation delays, and supply chain constraints, and worried as further price increases are in the pipe for 2022. In a sign that the handwashing phase of the pandemic is over, only exam gloves and lumber were down in price.

The Michigan consumer confidence index is at the lowest level since 2011, with consumers suggesting they expect things to get even worse, because of accelerating inflation that robs everyone of buying power. However, retail sales are 22% ahead of levels from two years ago, as flush consumers continue to chase goods while services are throttled. The surge in goods demand is causing severe supply chain issues with factories, ships and trucks and causing the spike in inflation.

After a somnolent summer, we have seen a lot of volatility in markets with the arrival of the omicron variant, and the reappointment of Fed Chair Powell, and his hints of accelerated tapering of QE, or money printing.

The market has had 1% moves every day since U.S. Thanksgiving. The VIX market volatility index spiked to a high of 31, the highest since January, suggesting increased fear by investors. The small-cap Russell 2000 has plunged 12% from its November high. Still, a spike of the VIX is normally associated with maximum fear and market bottoms, so we will be watching that indicator closely.

Whether by accident or design the Fed is achieving its policy goals of reversing accelerating inflation as oil prices tumbled 20%, while the drop in bond yields by 30 bps provides stimulus to the household and

corporate sector, particularly housing, which is still the bulwark of household wealth. Stock valuations also are more attractive versus bonds, as bonds become more expensive with falling yields.

The 2021 year-to-date total return for the S&P 500 was 23.9% through December 6th, after total returns of 18.4% in 2020 and 31.5% in 2019. These are the best 3 year returns since the late 90s. We see 4 possible headwinds in 2022:

1) Money math suggests the big pandemic recovery gains are behind us, and mathematically, growth will slow. U.S. real GDP has already exceeded pre-pandemic levels, despite the ongoing pandemic, and supply chain constraints. GDP growth is expected to slow to 3.8% in 2022, from 6.5% in Q2 2021. Corporate earnings and margins are actually at record levels, as earnings grew a torrid 54% from last year with the reopening and the vaccines. However, even optimistic analysts expect earnings growth to slow to 9% in 2022. For stock investors, 9% earnings growth will feel really slow, and will not drive double-digit equity market returns without expansion of P/E multiples, which is unlikely with less liquidity and rising rates as the Fed tightens.

2) Monetary headwinds: the Fed is finally withdrawing pandemic emergency QE stimulus (money printing) in a bid to slow the highest inflation in 30 years, and markets are predicting two or three ratehikes once the taper is complete. Chair Powell has hinted in early December that he will accelerate the taper.

3) Geopolitical surprises: axiomatically surprises cannot be predicted but concerns include Taiwan, Ukraine, Iran and Israel. Military tensions may cause oil prices to spike further.

4) Covid setbacks like the U.S. Thanksgiving emergence of the new omicron variant. Health authorities seem anxious to extend mandates and reimpose lockdowns.

In this environment we will emphasize inflation protection, and bonds and stocks with high and/or growing dividends.

Still we expect Santa to come to Wall, Bay and Main Streets a week before Christmas, and wish our dear readers a wonderful holiday and a happy and healthy 2022.

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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) 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.

MM Fund



Spartan
Fund Management

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