

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
2022	-1.16%	+2.92%	+2.19%										+3.96%	+3.82%
2021	+7.38%	+6.55%	+0.57%	+1.92%	-0.47%	-1.29%	-1.97%	+1.23%	-1.05%	+3.56%	-3.27%	+1.26%	+14.76%	+25.09%
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)	129.01%
Annualized Compound Return	13.14%
Last 12 Months Return	3.68%
Sharpe Ratio	0.71
Avg. Monthly Gain	3.59%
Avg. Monthly Loss	-3.94%
Max. Drawdown	31.45%
Annualized Std. Deviation	18.43%
% of Winning Months	67.90%
Correlation	0.79

MM Fund

Cumulative Return (since inception)	82.67%
Annualized Compound Return	9.39%
Last 12 Months Return	20.19%
Sharpe Ratio	0.75
Avg. Monthly Gain	2.48%
Avg. Monthly Loss	-2.71%
Max. Drawdown	22.25%
Annualized Std. Deviation	12.61%
% of Winning Months	67.90%
Correlation	0.79

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	218.3566
- Class D	229.0070
- Class F	234.8161

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

Q1 2022 was the most volatile quarter since the pandemic lows two years ago. It was the worst quarter for stocks AND bonds since March 1980, as the S&P 500 fell 4.9% while U.S. treasury bonds fell 5.5%. In fact, it was the worst quarter for bonds since the early 1980s, as bond yields rocketed 83 bps higher. Bond yields continued higher in early April, moving over 2.6%, a 3 1/2 year high. The high growth Nasdaq fell more with a 9.1% tumble. This is unique as these asset classes usually move in OPPOSITE directions, so that a 60/40 bond stock portfolio has reduced volatility. For instance, 2 years ago as the pandemic hit, stocks fell 20%, but this was offset in a balanced stock bond portfolio as bonds yields tumbled 130 bps, so that U.S. treasuries gained 8.1%.

From peak to trough, stocks did even worse as the Nasdaq fell 22% from its peak until mid-March, which was followed by a +13.6% face ripping rally. We believe this is likely a bear market rally as the Fed is still hiking and Russia is still warring.

The cause of all this volatility is the unexpected war, plus the Fed that is now expected to raise rates 9 times in 2022, with an 80% chance of a 50 bps hike in March. The Fed raised rates by 25 bps for the first time in four years in March, but rates at 0.25% do not nearly compensate investors for inflation, which is at a 40 year high of 7.9%. The Fed states they want to reverse accelerating inflation, but the dismal truth is they are farther behind the curve than in the 1970s when inflation was also rising and rose as high as 13.3% in 1979.

The ISM manufacturing index was still strong in March at 57.1, but there were warning signs as new orders tumbled to the lowest level since June 2020 at 53.8 versus 61.7 in February, while inventories grew 1.9 to 55.5.

Unemployment fell to a post-covid low of 3.6% in March, versus a low of 3.1% in Feb 2020. It is good for workers that their wages increased by 5.6%, but they still lost 2.3% to inflation over the last year. For

central bankers, rising wages means the inflation bogey man will be much more difficult to put down, as the biggest cost for most services is wages.

Rising inflation, gasoline and the war continue to erode consumer confidence, which hit an 11 year low in March's University of Michigan sentiment survey. The headwinds of higher inflation, falling confidence, and the war translate into earnings growth expected to decelerate sharply to 4.7% yoy in Q1 from 29% in Q4.

MM continued to benefit from rising inflation with large positions in energy, commodities, and financials. However, the difference in March was a marked turnaround in the remaining, more speculative non-dividend paying small capitalization technology and health care "more" stocks. Given the headwinds from rising inflation, rising rates, and a slowing economy we want to continue to increase the "core" dividend paying part of the portfolio where we are "paid to wait", by buying dividend paying securities and selling low yielders. In March, we initiated a position in a high yielding seniors REIT, and a high-yield energy royalty company, while selling down low and non-yielding stocks. Dividends for the Fund are growing rapidly as about 1/4 of our companies initiated or raised dividends in the last few months. The yield of the portfolio has grown to 2.97% from 2.6% a year ago.

We have some good news for our investors on the regulatory front that will help to level the playing field for small independent funds like MM Fund. The Canadian Securities Administrators (CSA) has banned discount brokers from receiving trailing commissions. Holders of MM's Class D units (which have a 1.25% pa management fee, of which 0.25% pa was paid to discount brokers) will be transferred to Class F (which have a 1.00% pa management) – a net savings of 0.25% pa for investors.

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