

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	-1.14%	+2.95%	+2.21%	-4.78%	+0.92%	-9.33%	+6.18%						-3.77%	-5.68%
2021	+7.45%	+6.55%	+0.57%	+1.94%	-0.44%	-1.26%	-1.95%	+1.25%	-1.02%	+3.58%	-3.25%	+1.29%	+15.09%	+25.09%
2020	+0.30%	-7.54%	-23.34%	+19.79%	+11.07%	+4.95%	+8.08%	+3.50%	-2.21%	+2.85%	+10.98%	+11.25%	+37.90%	+5.60%
2019	+8.01%	+7.55%	+4.14%	+0.83%	-4.33%	+1.10%	+0.95%	-4.72%	+1.49%	+1.76%	+3.43%	+1.91%	+23.54%	+22.88%
2018	+0.20%	-2.07%	-1.86%	+1.99%	+1.54%	-0.22%	+0.29%	-1.24%	-1.29%	-9.57%	-4.79%	-6.07%	-21.32%	-8.89%
2017	-0.72%	+1.54%	+0.68%	+5.44%	+4.30%	+1.41%	-1.65%	-0.67%	+1.45%	+2.38%	+2.80%	+0.61%	+18.79%	+9.10%
2016	-6.98%	+5.47%	+4.15%	+0.68%	+3.53%	+0.50%	+0.97%	+5.78%	+3.49%	+3.17%	+1.08%	+1.73%	+25.52%	+21.08%
2015							-2.26%	-7.08%	-4.17%	+7.06%	+3.69%	+1.56%	-1.87%	-9.93%

Statistics¹

Cumulative Return (since inception) 117.21%
 Annualized Compound Return 11.64%
 Last 12 Months Return -2.11%
 Sharpe Ratio 0.62
 Avg. Monthly Gain 3.62%
 Avg. Monthly Loss -4.14%
 Max. Drawdown 31.03%
 Annualized Std. Deviation 18.65%
 % of Winning Months 67.06%
 Correlation 0.81

MM Fund

117.21%
 11.64%
 -2.11%
 0.62
 3.62%
 -4.14%
 31.03%
 18.65%
 67.06%
 0.81

TSX

65.97%
 7.46%
 -0.20%
 0.57
 2.47%
 -3.00%
 22.25%
 13.08%
 67.06%

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
 '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 201.2940
 - Class F 217.2097

¹ Performance numbers are net of management and performance fees for the period commencing July 15, 2015 for the Class F 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 S&P 500 gained 9.1% in July, its best showing since 1939, after the 3rd worst June ever (-8.4%). What caused the change?

In our view the 25% drop in oil prices, from \$121 in mid-June to below \$90 recently, is giving investors hope that the worst of commodity and supply chain inflation is finally behind us. The bond market is validating that view as ten-year U.S. bond yields have fallen from 3.48% to below 2.6% over the same time frame. Bond yields are the main discounting input in most valuation models, so lower bond yields mean investors will pay more for future anticipated cash flows.

However, reducing wage inflation is a longer term, more painful process, as wages are notoriously sticky, and workers vociferously resist reduced wages, and are pushing hard for higher wages to keep up with inflation. With the near record low unemployment rate, most workers have the relatively easy option to switch jobs for a higher wage or salary.

Workers are losing out with 5.2% annual wage growth versus 9.1% (June) price inflation, the highest inflation rate in 42 years. Everyone is now aware of food and gasoline inflation, and the pressure is on for wages to increase further to catch up to prices.

Despite recession fears and 9 Fed rate hikes, the July U.S. jobs report smashed expectations with 528,000 new jobs, double expectations. Unemployment fell to 3.5% from 3.6%, so unemployment is as low as pre-pandemic levels of February 2020.

The U.S. economy is still growing jobs and reducing unemployment, making the Fed's jobs that much more difficult, as the Federal Reserve will have to move rates higher for longer to reduce wage growth to its desired 2 to 3% range. The market is now pricing in 70% odds of a 75bps hike in September (up from 25% at the start of August). The yield curve is already inverted, and an inverted yield curve has

historically been a reliable recession indicator.

The Fed's tightening to fight inflation is certainly slowing the economy, but it still has not had the expected effect of reducing inflation. Even with strong jobs, the U.S. economy contracted slightly on a real basis in Q2, so technically the U.S. is already in recession with 2 quarters of contraction. On a nominal basis the economy is growing rapidly, but after 9.1% inflation output is actually down.

We continue to increase our exposure to stable dividend payers where we are "paid to wait". Historically dividend payers outperform in bear and down markets, and 9 of our companies have raised their dividends this year. The yield of the portfolio has grown to 3.36% from 2.97% in March, and 2.6% in March 2021. 28.7% of the portfolio has a yield greater than 4%, where we are "paid to wait" and generally content to collect our dividends. The Fund has a record 11.1% fixed income position consisting of high yielding corporate bonds and preferred shares. Fixed income was 9.5% at year end, and only 6.8% at the beginning of 2021. The bonds have generally held up this year despite rising rates, and we had some nice wins amongst the interest rate reset preferreds. The fund also has 5.5% in risk arbitrage positions, where we expect modest further gains on the closure of takeovers.

The more speculative "more" portfolio has decreased to a record low of 36.4%, while our dividend paying "core" portfolio has increased to 63.6% from 57% at year end, and 31% at the beginning of 2021.

Despite slowdown fears, Q2 earnings have generally been good for our companies, with a few popping on better-than-expected earnings.

Finally, given the devastation in the growth area this year, we continue to cautiously increase our weighting in the companies that are growing strongly at +20% in a slowing economy.

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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 assurance 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.

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.