

## 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
2022	-1.14%	+2.95%	+2.21%	-4.78%	+0.92%	-9.33%	+6.18%	-2.52%	-6.53%	+8.34%	+0.98%	-3.18%	-7.13%	-5.84%
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%

## Statistics<sup>1</sup>

Cumulative Return (since inception) 109.62%  
 Annualized Compound Return 10.43%  
 Last 12 Months Return -7.13%  
 Sharpe Ratio 0.56  
 Avg. Monthly Gain 3.66%  
 Avg. Monthly Loss -4.14%  
 Max. Drawdown 31.03%  
 Annualized Std. Deviation 18.63%  
 % of Winning Months 65.56%  
 Correlation 0.81

## MM Fund

109.62%  
 10.43%  
 -7.13%  
 0.56  
 3.66%  
 -4.14%  
 31.03%  
 18.63%  
 65.56%  
 0.81

## TSX

65.67%  
 7.00%  
 -5.84%  
 0.53  
 2.58%  
 -3.06%  
 22.25%  
 13.26%  
 65.56%

## 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 193.4307  
 - Class F 209.6227

<sup>1</sup> 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

We continue to see contradictory data as the U.S. economy continues to churn out new jobs, and the unemployment rate fell by 0.2% to 3.5%, a 50 year low. The U.S. added a better than expected 223K jobs in December. But leading indicators like the ISM suggest contraction as the ISM Services tumbled to 49.6 from 56.5 in November, the first contraction since May 2020. The ISM Manufacturing index has been in contraction for two months.

The overall strength in jobs hides that the U.S. lost 288K full-time jobs over the last ten months, which was more than offset by 886K part-time jobs. Presumably for most people a full-time job pays more, has better benefits, and is more desirable, but unfortunately often people are forced to work more than one job to afford life with soaring inflation.

2022 was the worst year for the combined performance of stocks and bonds since 1871. The S&P 500 fell 19.4% in 2022, the Nasdaq plunged 33%, and bonds were not the usual safe haven, falling 14% with the Fed embarking on its most aggressive tightening cycle since the '70s. 122 days had more than 1% S&P 500 moves, 1/3rd of year, as stocks suffered the most daily volatility since the end of WWII in 1945.

The Fed was behind the curve at the beginning of '22, but aggressive rate hikes of 425 bps to slow the economy have convinced the bond market that inflation will drop. The Fed had been hammering the bond market with 75 bps rate hikes, but downshifted to 50 bps in December, and is now expected to increase its target rate by "only" 25 bps on February 1, suggesting the worst of the rate hike pressures are behind us. Rate hikes have already pressured housing prices, and the Manheim Used Vehicle Index fell 14.9% yoy, the largest decline in the series history.

Bonds are most sensitive to inflation, and bond investors are suggesting inflation has peaked, as bond yields have dropped 72bps since peaking in October. The bond market liked that annual wage growth fell to 4.6% in December, from 5.6% at the beginning of the year, suggesting that wage push cost inflation in services is decelerating.

Strong economic growth followed by aggressive rate hikes by the Fed pushed the U.S. dollar (DXY) up by 27% since May 21, but the currency markets also sensed slowing US growth and rate hikes, as the US

dollar peaked at the end of September, and has already fallen by 10% since then, a relatively large move for traditionally less volatile currency markets.

Commodities, and gold in particular, generally benefit from a weaker US dollar. Gold prices peaked in 2020 at \$2089, and had fallen 22.5%, before bottoming in October. Gold has risen 16% in the last three months.

Emerging markets and small cap stocks tend to be more exposed to commodities, and benefit from a weaker dollar. The MSCI emerging markets ETF has zoomed up 18% since mid-October, on the back of a weaker US dollar, and the weakness in US mega cap companies like Apple, Microsoft and Tesla.

Ten-year bond yields started 2022 at 1.5% but the combination of accelerating inflation and Fed rate hikes at the short end of the curve, pushed yields up to 4.25% by October. The rising cost of money is generally bad for equities, and equities had their worst year since 2008. The good news is that while the S&P 500 has fallen 18 times since 1957, consecutive negative years only happened once in the '70s, and 2001-03. If inflation and bond yields have peaked, then stocks should benefit in 2023 from a stable or falling cost of money.

Since 1950, US pre-election years like 2023, have ended with a gain of at least 10%, 72% of the time. The average gain of 16.8% is more than double the 7.5% average for all years. Markets also tend to like divided government, and the Republican takeover of the U.S. House of Representatives should be a check on Democrat President Biden and the Democrat Senate.

Many of our small cap investments have been quietly creeping up in recent weeks, and our copper and gold holdings have benefitted from rising commodity prices, resulting in a 2.04% gain in the first week of '23. We haven't made major portfolio changes in the last few weeks, instead we continue to opportunistically pick away at our best small capitalization ideas.

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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](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.