

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
2023	+8.37%												+8.37%	+7.41%
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%

Statistics¹

Cumulative Return (since inception)	127.16%	77.95%
Annualized Compound Return	11.49%	7.94%
Last 12 Months Return	1.80%	1.55%
Sharpe Ratio	0.61	0.59
Avg. Monthly Gain	3.73%	2.66%
Avg. Monthly Loss	-4.14%	-3.06%
Max. Drawdown	31.03%	22.25%
Annualized Std. Deviation	18.72%	13.42%
% of Winning Months	65.93%	65.93%
Correlation	0.81	

MM Fund

TSX

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	209.4307
- Class F	227.1594

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

2022 was the year of aggressive rate hikes to counter a 40 year high for inflation: 450 bps in hikes in total pushed short rates to their highest level in 15 years. After four 75 bps rate hikes the Fed downshifted to a 50 bps hike in December, and a 25 bps hike in early February. Fed Chair Powell signaled he might raise rates a couple more times to push inflation down further from 6.5% to its 2% target.

Fed rate hikes that have pushed up short rates have resulted in the most inverted US yield curve in 43 years, which has historically been a reliable recession indicator. ISM manufacturing has been signaling contraction since November, and fell to 47.4 in January, from 48.4, the weakest since May 2020. However, the more important services sector went the other way, soaring to 55.2 from 49.2.

Rising rates are making it harder for consumers to finance high ticket auto and home purchases. US home prices have now fallen for 5 straight months.

Despite slowing in interest sensitive housing and auto sectors, US January jobs blew away expectations with 517,000 jobs versus 188,000 expected. The unemployment rate fell to 3.4%, the lowest since 1969, suggesting the Fed needs a few more hikes to slow the economy and reduce inflation to its 2% target. Wage growth was below inflation at 4.4% yoy, after peaking at 5.6% in April.

While the Fed is not done hiking rates, the headwinds of higher bond yields and a higher US dollar, which hammered markets throughout 2022, seem to have dissipated in 2023. US bond yields peaked in October, and are now down 75 bps, while the dollar has fallen 9.5%.

After a year of rate hikes, and the negative chatter regarding a recession, and negative earnings, even we were surprised at the 6.2% rise in the S&P 500 and the 2.8% gain in the Dow in January.

In 73% of years since 1950, the S&P 500 has moved in the same direction that year as it did in January (ie. positive January = positive year). Last year the market was down in January, which was an ominous sign for the rest of the year, and the S&P indeed fell 19.4%, its worst year since 2008.

We are more than halfway through the S&P 500 earnings season, and a below average 68% of companies are beating estimates, the lowest ratio since the pandemic in Q2/20. Consensus earnings estimates for 2023 and 2024 have already fallen about 10% as analysts are pricing in a slowdown, but they are still expecting modest 3% earnings growth for 2023. \$226 earnings (18.3 PE) is a 5.5% earnings yield, about 200 bps higher than the ten year bond yield, however we believe the earnings estimates will likely fall further with the slowing economy. In this slow growth environment financials, consumer discretionary (Amazon), and energy are the sectors expected to lead the earnings growth.

We have been opportunistically buying our favorite small cap growth names over the last month, and also initiated a position in an energy services company, where day rates are rising.

Even after a strong January, the S&P 500 and Nasdaq are still over 15% off of all-times highs from early 2022. However, we thought it was notable that the US mid cap value ETF was alone in breaking out to a new all time high in the first few days of February, while small cap value was only 3% from all-time highs. MM is invested 7.3% in small capitalization equities (less than \$100m market cap), 41.9% mid-cap (less than \$1billion), 40.8% large cap, and 9.9% fixed income (bonds, converts and preferred equities). Our investment style is generally growth at a reasonable price, or value-growth.

For January, MM's return of +8.37% outperformed the 7.41% gain on the TSX, adding to the Fund's overall outperformance since inception in July 2015. Since then, MM Fund is +127.16% vs. only +77.95% for the TSX – outperformance of over 49% in just over 7 ½ years.

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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.