

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%	-1.63%	+0.54%	+0.14%	-4.57%	+1.09%	+8.38%	-0.71%	-2.92%	+1.32%			+9.59%	+0.06%
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%	+1.29%	+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) 129.74%
 Annualized Compound Return 10.55%
 Last 12 Months Return 7.15%
 Sharpe Ratio 0.58
 Avg. Monthly Gain 3.62%
 Avg. Monthly Loss -3.94%
 Max. Drawdown 31.03%
 Annualized Std. Deviation 18.23%
 % of Winning Months 65.00%
 Correlation 0.81

	MM Fund	TSX
Cumulative Return (since inception)	129.74%	65.76%
Annualized Compound Return	10.55%	6.28%
Last 12 Months Return	7.15%	0.43%
Sharpe Ratio	0.58	0.48
Avg. Monthly Gain	3.62%	2.67%
Avg. Monthly Loss	-3.94%	-2.98%
Max. Drawdown	31.03%	22.25%
Annualized Std. Deviation	18.23%	13.22%
% of Winning Months	65.00%	63.00%
Correlation	0.81	

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 210.1906
 - Class F 229.7353

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

Even as the Fed last raised rates in July, and is likely done with rate hikes for this cycle, rising treasury bond rates have been the main headwind for the economy and markets over the past months. The Fed embarked on the most aggressive rate hike cycle in history in April 2022, raising rates by 525 bps over the next 16 months, and the lag effects are still cascading through the economy.

Bond yields have been rising as the US economy continues to grow with near record low unemployment, and because of increased bond supply to fund the Biden administration's "Inflation Reduction Act" and wars.

Total US debt is now \$33 trillion, and the US initially signaled plans to borrow a whopping \$1.5 trillion in debt per quarter, after US politicians agreed to a debt ceiling deal in June. Ten-year bond yields have rocketed up 140 bps since the deal was agreed to, peaking at 5%, a 16 year high, in mid-October.

Rising bond yields effect the pocketbooks of consumer and corporate borrowers directly on all new (not locked-in) borrowings. For instance, monthly payments on the median priced home is up 27% over the last year, and 120% from mortgage rate lows 2 ½ years ago. After the surge in housing prices over the pandemic, the result is that US housing affordability has fallen to the lowest level since the early 1980s. Housing sales have declined 15% over the last year, and existing home sales have dropped below 4 million for the first time since October 2010. Housing prices adjust notoriously slowly, as it takes a long-time for buyers and sellers to adjust expectations to new realities, but historically falling sales combined with higher rates usually presages falling prices.

Rising bond yields also hurt profitability as corporate borrowers must pay more. Rising yields also generally hurt stock valuations as future profits are discounted at higher rates. The S&P 500 yield of 1.58% and the TSX yield of 3.52% looks miserly versus risk free rates for t-bills of over 5%.

Rising yields pressured stocks for the third month in a row as the S&P 500 lost 2.2% in October, the Nasdaq 2% and the TSX 3.42%.

However, in late October, Treasury bonds yields plummeted 51 bps after Fed Chair Powell was more dovish than expected, the US October jobs report disappointed, and most importantly US Federal bond issuance was less than the bond tsunami the market expected a few weeks ago. The US created a disappointing 150,000 jobs in October, versus 297,000 in September, and the unemployment rate rose to 3.9%, the highest level since January 2022.

Falling bond yields were the tonic needed to break the downward cycle for stocks, as major indices had the best week of the year over Halloween. Furthermore, November has been positive 75% of the time for an average gain of +1.8% over the past 20 years.

In a tough market, especially for small capitalization stocks, MM benefited in October from record earnings from a company making transformers for the green transition. Another significant winner was in the oil and gas services space.

We continue to like gold and energy stocks as a hedge to geo-political risks. With bond yields at 16-year highs, MM increased its holdings in fixed income bond and preferred investments by another 1%. Earnings season is just beginning for our companies, and so far, the market reaction for the non-resource companies has been very positive.

The good news, dear investors, is that the MM Fund has been aggressively harvesting tax losses this year. We have crystallized about \$2m more in tax losses than gains so far this year, even as the Fund is up almost 10% this year. As things stand, investors should have no capital gains taxes this year, and we can carry the remaining losses forward into the future.

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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.