

Spartan Overview

Established in 2006, Spartan Fund Management is an asset manager that specializes in providing, through pooled funds, a broad selection of alternative investment solutions that meet a variety of investment needs. We believe that niche, non conventional investment strategies tend to outperform more traditional strategies and/or add needed diversity. We also believe that alternative investment strategies provide better risk-return opportunities for investors than do conventional strategies. Spartan accesses alternative investment strategies through internal investment teams or by way of feeder fund arrangements with external registrants.

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
2024	4.92%	2.96%	9.00%	0.15%	1.33%	-3.66%							15.13%	6.05%
2023	8.37%	-1.63%	0.54%	0.14%	-4.57%	1.09%	8.38%	-0.71%	-2.92%	1.32%	5.11%	1.80%	17.27%	11.75%
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)	183.03%	96.35%
Annualized Compound Return	12.31%	7.82%
Last 12 Months Return	30.40%	12.13%
Sharpe Ratio	0.69	0.60
Avg. Monthly Gain	3.62%	2.74%
Avg. Monthly Loss	-3.94%	-2.91%
Max. Drawdown	31.03%	22.25%
Annualized Std. Deviation	17.92%	13.09%
% of Winning Months	66.67%	63.89%
Correlation	0.80	

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	257.1709
- Class F	283.0287

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

In June the US added 206K jobs, above the 190K expected. Since June 2023, the US has added 1.8 million part-time jobs while losing 1.6 million full-time jobs, suggesting the US economy is much weaker than the headline "jobs" number as people cannot find full-time jobs and are making do with part-timing. ISM US Services PMI plunged to 48.8 from 53.8, well below the 52.7 expected, suggesting contraction in the important US services sector (77% of the economy).

With unemployment rising again to 4.1% in June, the highest print since November 2021, we believe the rising unemployment rate and softer economic growth will push the Fed to cut rates later this year, perhaps as early as September. This would be the first rate cut since the depths of Covid in 2020.

US consumer prices fell 0.1% in June, the first negative print since May 2020. Core CPI (excluding food and energy) rose just 0.1% in June, and 3.3% over the last year, the lowest print since April 2021.

Bond yields plunged 30 bps in July with the softer economic data and falling price inflation. So far profits are still holding up and lower yields makes profits relatively more valuable, helping push the S&P 500 and TSX to record highs.

As a reminder, the MM Fund is a long-only mutual fund that 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 US equity securities.

The "core" portfolio has more than doubled to 69% from 29.2% of the portfolio at year-end 2020. However, the core dropped 2% weighting this year as we took profits in a core stock that was a big winner for the Fund, and reinvested the proceeds in small, non-dividend paying emerging growth stocks ("more").

The "core" portfolio consists of stable dividend payers where we are "paid to wait" and we are generally content to collect our dividends. We especially like companies that have a track record of dividend increases, like Pizza Pizza, Goeasy, Pembina, and Hammond Power. Most of our "core" companies have increased dividends since 2020. Historically, dividend payers outperform in bear and down markets.

The "more" consists of investments in companies that may have stretched balance sheets, or are unprofitable, or have cyclical businesses. It also includes warrants and small and micro capitalization stocks that will likely have more volatility but a higher potential for capital gains in bull markets. "More" investments generally do not have a yield.

The Fund currently has a 10.2% fixed income position consisting of high yielding corporate bonds and preferred shares. Fixed income was 9.5% at the beginning of 2022 and only 6.8% at the beginning of 2021. We have been increasing our fixed income exposure to take advantage of the highest yields in 16 years. The fixed income portfolio has generally held up despite rising rates since 2020, and we had some nice wins amongst the interest rate reset preferred shares. The Fund currently also has a 1.3% cash position, invested in high-yielding US t-bills.

The yield of the portfolio has grown to 3.07% from 2.97% in March 2022, and 2.6% in March 2021, which is more than twice the S&P 500 yield of 1.32%. Dividend yields have generally fallen with rising stocks as the S&P 500 yield was 1.5% at year-end. 35.2% of the portfolio has a yield greater than 4%, up from 28.7% in March 2022.

The Fund has a weighting of 7% in US large capitalization equities, where we want exposure to the type of companies that do not trade on the TSX. We currently hold a health-care service company, an auto company and a generic pharma company in the US portfolio.

14.5% of the Fund is allocated to microcap equities (market cap of less than \$100 million), up from 10.6% at year-end, as we took profits in winners, and recycled the proceeds into new ideas. 34.3% of the Fund is in mid-cap equities (market cap of less than \$1 billion) and 39.7% is in large-cap companies.

Energy is the largest sector in the MM Fund with a 30.8% weight. The Fund has exposure to energy in all forms: pipelines, mid-stream, refining, oil, international, natural gas and energy services. In the last year we took profits in an oil producer and have increased our exposure to energy services companies. Even with the pullback in oil and natural gas prices, valuations and dividends in the sector remain attractive. Our thesis around energy is simply that oil prices are rangebound in the \$70-90 range as OPEC+ manages supply, with a bias to the upside around geopolitics. In that range the stocks are cheap and will benefit from increased dividends and share buy backs over time.

Our next largest sector is now materials at 14.4%, including gold, copper and fertilizer companies. This year we initiated positions in a Quebec gold exploration company and two mining service companies.

Industrials (14.2%) is a diverse set of companies including a security company, a building supply company and a company making transformers for the electrification of the economy. Financials (14.4%) includes our biggest position - life insurer Manulife - and a non-prime lender: all pay attractive dividends. Non-cyclical health care (10.4%) is comprised of two growing companies in the home care space and a generic pharma company. Consumer discretionary (9.6%) includes restaurant royalty stocks and an auto company - all pay high dividends.

In June, the Fund was hurt as oil prices fell to \$74 but has since rebounded with the \$9 increase in oil prices. The Fund was also hurt as gold pulled back to \$2,300, but our gold stocks have rebounded with the \$160 jump in gold prices to record prices.

The recent pullback in small cap stocks allowed us to accumulate larger positions in our best "more" ideas. We generally want to ramp up to at least a 1% position, so a stock can impact the portfolio, hopefully positively. We also initiated a position in a gold exploration company, that is developing a multi-million ounce property in Quebec.

Overall, we are happy to be up more than 15% this year, particularly given our significant fixed income position and only a 31% weighting in the more speculative "more" investments.

MM Fund



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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.