

MM Fund



Spartan Overview

Established in 2006, Spartan Fund Management is an investment fund manager that specializes in providing 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 diversification. We also believe that alternative investment strategies provide better risk-return opportunities for investors than do conventional strategies. Spartan accesses alternative investment strategies either through internal investment teams or by way of feeder funds that invest in existing funds that are managed by external fund managers.

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
2025	+0.10%	-3.72%	-0.98%	-1.01%	+5.58%	+5.79%							+5.53%	+10.17%
2024	+4.92%	+2.96%	+9.00%	+0.15%	+1.33%	-3.66%							+26.39%	+21.65%
2023	+8.37%	-1.63%	+0.54%	+0.14%	-4.57%	+1.09%	+5.50%	-2.01%	+2.20%	+1.86%	+3.89%	-1.81%	+1.80%	+17.27%
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)
Annualized Compound Return
Last 12 Months Return
Sharpe Ratio
Avg. Monthly Gain
Avg. Monthly Loss
Max. Drawdown
Annualized Std. Deviation
% of Winning Months
Correlation

MM Fund	TSX
227.87%	148.12%
12.66%	9.55%
15.84%	26.37%
0.73	0.74
3.62%	2.84%
-3.69%	-2.76%
31.03%	22.25%
17.35%	12.90%
65.83%	64.17%
0.80	

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	294.8943
- Class F	327.8708

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

Despite "Tariff Derangement Syndrome" (TDS) fears, U.S. Core PCE for May rose +0.2% for the month and +2.7% year-over-year, slightly above expectations of +2.6%. Consumer spending declined by -0.1%, compared to forecasts of +0.1% gain.

The long-awaited TDS recession has yet to arrive. The ISM Services Index rose from 49.9 to 50.8, indicating expansion in the all-important services sector. U.S. non-farm payrolls for June increased by 147,000, far above the forecast of 110,000, largely driven by government hiring. Previous months were revised higher, suggesting underlying strength in hiring. The unemployment rate fell slightly to +4.1% from +4.2%. Hourly earnings rose just +0.2% in June, and wages increased +3.7% over the year, resulting in +1.0% real (inflation-adjusted) wage growth and limited inflation pressure.

Trump's "Big Beautiful Bill" narrowly passed Congress after much resistance. Despite negative media sentiment, the bill includes several provisions supportive of consumer spending and business investment:

- **Trump's original tax cuts will not expire** as scheduled in 2025 and will be extended indefinitely. Their expiration would have increased taxes for 60% of U.S. taxpayers and significantly raised business taxes.
- **The standard deduction increases** from \$15,000 to \$15,750.
- **Seniors:** \$6,000 annual deduction for Social Security income, phasing out above \$75,000.
- **\$1,000 charitable deduction for non-itemizers.**
- **Tax on tips:** deduction up to \$25,000 for incomes under \$150,000.
- **Overtime:** deduction up to \$12,500 in overtime income.
- **Auto loans:** interest deduction up to \$10,000 for U.S.-made vehicles, phasing out above \$100,000 in income.
- **State and Local Tax (SALT) deduction** increases to \$40,000 from \$10,000, phasing out above \$500,000.
- **Domestic R&D** can now be fully deducted in the year incurred.
- **Small businesses** can fully expense equipment costs in the first year.

The Fund benefited in June from broad-based gains in small-cap growth and financial companies.

Our outlook remains positive. The small-cap Russell 2000 recently broke above its 200-day moving average, a constructive technical signal. U.S. small-caps have been outperforming since Liberation Day.

The Fund's micro-cap equity allocation (companies under \$100 million in market cap) is 16.8%, up from 11.4% in December. The mid-cap allocation is now 32.6%, down from 37.2%, while large-cap equities represent 40.8%. In Canada, mid-caps under \$1 billion in market cap are considered small-caps in the U.S., so a small-cap rotation would benefit 49.4% of the MM portfolio.

MM Fund is a long-only mutual fund that follows a "Core & More" investment approach. The core portfolio includes high-yielding or dividend-paying Canadian equities, real estate securities, convertibles, debt securities, preferred shares, and U.S. equities. These are stable dividend payers where we are "paid to wait." We favour companies with a history of dividend increases, such as Pizza Pizza, GoEasy, Pembina, and Hammond Power. Most core holdings have raised dividends since 2020. Historically, dividend payers outperform in bear and down markets.

The more portion includes warrants and higher-volatility small- and micro-cap equities that offer potential capital gains during bull markets. These are typically:

- **Turnaround opportunities:** companies that may have strained balance sheets or may be unprofitable but are taking steps toward sustainable growth. This category also includes cyclical businesses poised for improvement.
- **Growth companies:** companies that exhibit high-revenue growth.

Since year-end 2020, the core portfolio has grown from 29.2% to 58% as we became more conservative post-COVID. However, the core has declined by 11% in the last year as we identified new opportunities in non-dividend-paying growth and gold equities. The "more" portion has driven returns recently, and as those holdings rise, their portfolio weight increases mathematically.

The Fund currently holds 9.6% in fixed income, primarily high-yield corporate bonds and preferred shares. This compares to 9.5% at the start of 2022 and 6.8% in 2021. Despite rising rates since 2020, the fixed income portfolio has performed well, with several gains from overlooked securities.

The current portfolio yield is 2.9%, down slightly from 2.97% in March 2022 and up from 2.6% in March 2021 - more than double the S&P 500's yield of 1.25%. Currently, 28.8% of the portfolio yields more than 4%.

The Fund has 8.3% allocated to U.S. large-cap equities, offering exposure to companies not listed on the TSX. Holdings include a healthcare services firm, Ford, Citibank, and Teva Pharmaceuticals, which doubled in value in 2024 after resolving multi-billion-dollar opioid litigation.

MM Fund is not an index-hugging fund. Our micro- and mid-cap names are too small for inclusion in the S&P/TSX Composite, and our sector weights differ significantly. For instance:

- Financials: 15.6% (vs. 33% in TSX)
- Healthcare: 9.6% (vs. 0.3% in TSX and 9.3% in S&P 500)

Materials is the Fund's largest sector at 22.5%, including 18% in gold/gold service companies and 3.3% in copper. **Energy** is next at 18.3%, down from 24.8% in December. We maintain exposure across pipelines, midstream, refining, oil, international, natural gas, and energy services. Despite softness in oil producers in 2024, dividend yields remain attractive. Notable contributors include an energy royalty company, Pembina, Peyto (natural gas), and three energy service firms.

We continue to believe oil prices will remain range-bound between \$60-\$90, supported by OPEC+ supply management, with upside potential from geopolitical risk. Within this band, energy equities remain undervalued and poised to benefit from dividends and buybacks.

Industrials rose to 17.7%, driven by investments in carbon-reduction technologies, building supplies, and a fast-growing security company.

Financials include Manulife and two fast-growing non-prime lenders, all paying strong dividends. We also own Citibank, bought after the Trump win on expectations of regulatory easing.

Healthcare includes two growing home care companies, a retirement home provider, and Teva.

Consumer discretionary holdings (9.9%) include restaurant royalty stocks, an auto company, and a vision care firm we consider essential rather than discretionary. The latter does not currently pay a dividend.

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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.