

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%	+3.44%	+7.49%	+8.27%	+7.85%	0.00%	+5.85%	+45.03%	+31.68%
2024	+4.92%	+2.96%	+9.00%	+0.15%	+1.33%	-3.66%	+5.50%	-2.01%	+2.20%	+1.86%	+3.89%	-1.81%	+26.39%	+21.65%
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)
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

350.60%
15.48%
45.03%
0.89
3.75%
-3.69%
31.03%
17.38%
67.46%
0.79

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 404.3443
- Class F 450.5983

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

The fundamental tailwinds for 2026 are lower interest rates as Trump assigns his dove to the Fed and continued economic growth. The US will continue to benefit from tariff-induced reshoring, and consumers and business will benefit from tax cuts in the One Big Beautiful Bill (OBB). The US trade deficit plunged by over 60% from a year earlier in October, the lowest deficit since 2009. Average tax savings are estimated at \$3,700 per taxpayer, which will increase after-tax income by about 5.6%. Taxpayers will notice these positives in the spring, when tax refunds are projected to be the highest in 15 years.

US businesses will benefit from significantly increased depreciation of equipment and R&D spending.

The Congressional Budget Office estimates the OBB effects on consumers and businesses will add +0.9% to US GDP growth in 2026.

After a prolonged data vacuum because of the US government shutdown, we are getting surprisingly strong data. The US unemployment rate fell to 4.4%, while hourly earnings rose +3.8% year-over-year in January. More forward-looking reports were much stronger. The Institute for Supply Management (ISM) services Purchasing Managers' Index zoomed to 54.4%, up +1.8%. The Atlanta Fed is estimating a scorching +5.1% GDP growth in Q4.

The S&P 500 had 3 consecutive years of +15% gains, a feat only accomplished in the late 1920s, in the late 90s tech bubble, and during the COVID rebound 2020-2022. Plus, after "uber capitalist" Trump's first year, we will likely have pushback with the US mid-terms. Historically, voters tend to push back against the incumbent President in mid-terms, and markets are on average flat to down, until the election in November.

The S&P 500 was up +1.12% in the first five days of the year, and historically when the S&P 500 gains over 1.0%, the rest of the year is positive 87% of the time, with average gains of +15.7%.

Analysts are optimistic that S&P 500 earnings will grow a robust +18% in 2026, to \$310, and positively these estimates have been creeping up. However, even if companies hit that high level of profitability, valuations are high at 22.5x forward estimates, above the lofty 5-year average of 20x, and well above the long-term average of 16.2x.

The Fund benefitted from 2 takeovers in December, and a total of 7 throughout 2025. While the Fund does not target takeovers, we usually benefit from a few every year, either for value, strategic reasons or often both. Continued strength in materials and mining service companies also helped the Fund in

December and 2025.

So, it pains us to say so, but we believe the stats suggest a cautious stance for the coming year. Valuations alone are not a good reason to be cautious, but combined with cyclical indicators, the spring/summer period could be challenging. We still hope to outperform for the fourth year in a row, but 2026 is likely more challenging than the past 3 years.

While investor and media focus is still on the "Mag 7"; beneath the surface, mid-caps, small caps and even micro-caps hit new all-time highs this new year, suggesting markets are much broader than 7 stocks.

The Fund's micro-cap equity allocation (companies under \$100 million in market cap) is now 7.2%, down from 11.4% last year, as some of our smaller holdings have graduated to mid-cap status. The mid-cap allocation is now 46%, up from 37.2%, while large-cap equities represent the remaining 41%. In Canada, mid-caps are defined as being under \$1 billion in market cap, which constitutes small-caps in the U.S., so a small-cap rotation would benefit 53% 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 favor companies with a history of dividend increases, such as Pizza Pizza, GoEasy, Pembina, and Hammond Power. Most core holdings have increased 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.

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MM Fund



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 to 49% 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 5.9% 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 as its weight has declined mathematically as the equity portfolio grew over 45% in 2025, and one of our large bond positions was converted into equity.

The current portfolio yield is 2.97%, up from 2.6% in March 2021 and about 2.5x the S&P 500's yield of 1.15%. Currently, 29% of the portfolio yields more than 4.00%. Our job for 2026 is to get back to historical ranges for the “core” and raise the yield which will provide more stable returns over time.

The Fund has 9.5% 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. 2025 was also a great year for our US portfolio, which was up +34%.

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: 12.6% (vs. 33% in TSX)

- Healthcare: 13.7% (vs. 0.3% in TSX and 9.3% in S&P 500)

Materials is the Fund's largest sector at 29.6%. We have exposure to gold and silver producers and explorers along with copper, fertilizer and service companies.

Energy is next at 14.9%, down from 24.8% last year, as we had a takeover in the sector, and the sector

underperformed the rest of MM. 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 \$50–\$80, supported by OPEC+ supply management, with upside potential from geopolitical risk, balanced against potential increased production from Venezuela in 2027. Within this band, energy equities remain undervalued and poised to benefit from dividends and buybacks.

Industrials is 14% driven by investments in carbon-reduction technologies, building supplies, and a fast-growing security company.

Healthcare grew to 13.7%, driven by a takeover and our Teva position. The sector also includes two fast-growing home care companies and a retirement home provider.

Financials at 12.6% 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.

Consumer discretionary holdings (7.7%) include restaurant royalty stocks, an auto company, and a rapidly growing vision care firm we consider essential rather than discretionary. Only the latter does not pay a dividend.

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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.

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.