GreensKeeper ASSET MANAGEMENT

The Scorecard

Issue #10 – September 2014

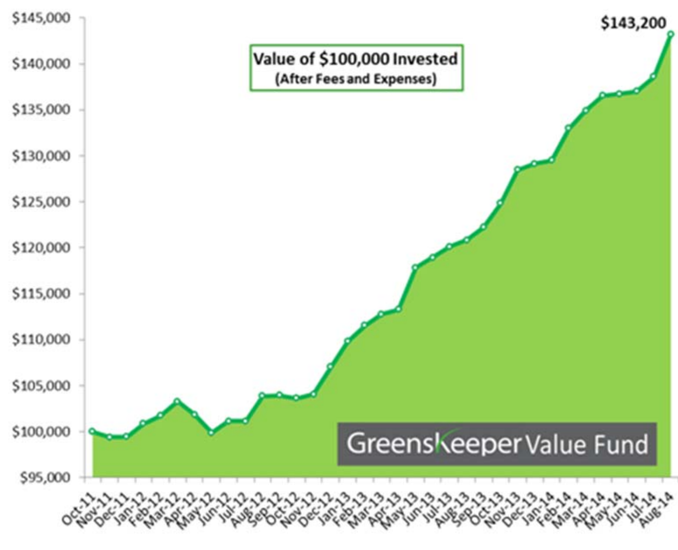
> *"Value investing is simple to understand but difficult to implement… The hard part is discipline, patience and judgement."*
>
> **Seth Klarman**
> **Baupost Group**

Steady Progress

As of August 31, 2014, the Value Fund is up +10.9% in 2014, 18.5% over the past 12 months and 43.2% since inception (all figures are after fees and expenses).

Since inception, we have managed to beat the S&P/TSX Index and have lagged the major US indices. Our preservation of capital mindset and a measured deployment of our initial cash position in a rising market held us back somewhat early on. However, we have since made steady progress. The investment game is a long one.

Long term we believe that we will continue to deliver attractive returns for our clients while thoughtfully managing risk and preserving capital.



Monthly Results [1]	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-	-	-	-	-	-	-	-	-	-	-0.6%	0.0%	**-0.6%**
2012	1.4%	0.9%	1.5%	-1.4%	-1.9%	1.3%	0.0%	2.7%	0.1%	-0.3%	0.4%	2.9%	**7.7%**
2013	2.6%	1.6%	1.1%	0.5%	4.0%	0.9%	1.0%	0.6%	1.1%	2.2%	2.9%	0.5%	**20.6%**
2014	0.3%	2.7%	1.5%	1.2%	0.1%	0.2%	1.1%	3.3%					**10.9%**

Express Scripts Holding Company (Nasdaq:ESRX)

EXPRESS SCRIPTS®

A fellow Globe & Mail columnist recently pointed out that many Canadian portfolios suffer from "home bias" (an overexposure to Canadian equities). We have a prescriptive solution.

Express Scripts Holding Company (Nasdaq:ESRX) is the largest pharmacy benefit management (PBM) company in North America. It serves thousands of clients including managed-care organizations, insurance carriers, employers, third-party administrators, public sector and union sponsored benefit plans.

The PBM industry is an obscure one and one that most people are unfamiliar with. PBM services include network pharmacy claims processing, home delivery services, benefit-design consultation, drug-utilization review, formulary management as well as medical and drug data analysis services.

Health care spending in North America continues to grow at rates well in excess of inflation and consume an ever larger share of GDP. Payers retain PBMs to help control their spending on prescription drugs. Improved patient outcomes through monitoring and error reduction are an added bonus.

"A great business at a fair price is superior to a fair business at a great price."

Charlie Munger
Berkshire Hathaway

Express Scripts uses its scale (the company processes 1.4 *billion* prescriptions a year) to negotiate favourable rates with pharmacies, pharmaceutical manufacturers, drug wholesalers and others in the drug supply chain. The company passes along most of the savings to its clients and keeps a sliver of profit from each script for itself (currently about US$5.50 per script). The size of that sliver keeps growing each year due to the operating leverage inherent in the business as the cost of processing an additional script for an existing customer is very low.

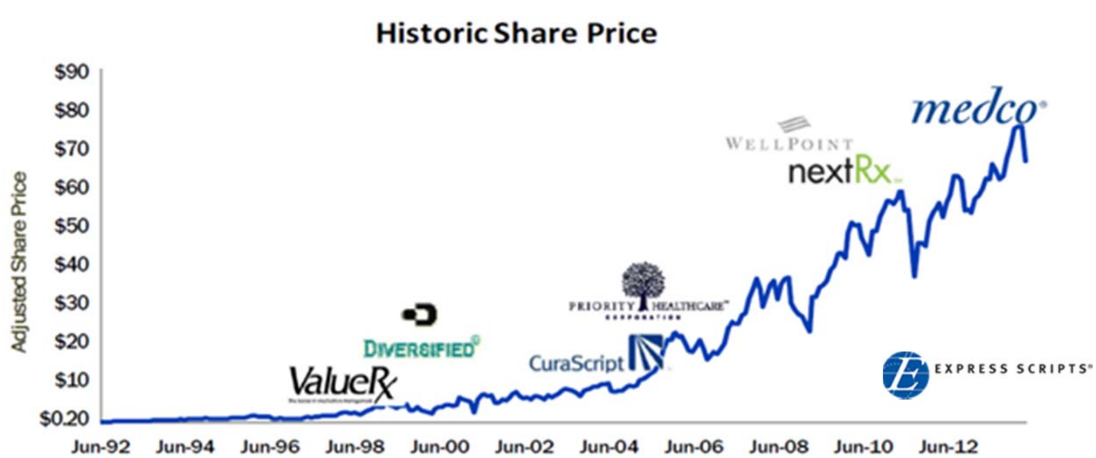
The long-term fundamentals of the PBM industry are attractive. An aging demographic provides a tailwind as drug usage will continue to climb thereby increasing the need to find ways to reduce healthcare costs. Annual drug price inflation also works in a PBM's favour.

Given the scale needed to succeed, over time the PBM industry has consolidated with a few dominant firms controlling most of the market. High customer switching costs and regulatory complexity also help these companies to continually widen their economic moats.

Express Scripts does have competitors - CVS Caremark (NYSE:CVS) and Catamaran Corp. (TSX:CCT) to name a few - and contracts are typically put out to bid at renewal. However, we suspect that the request for proposal process is largely used as a means of keeping the incumbent's pricing in check. PBMs are difficult to displace as evidenced by client retention rates that routinely exceed 95%.

Express Scripts cemented its leading position in the PBM industry with the US$29.1 billion acquisition of competitor Medco Health Solutions in 2012. However the acquisition came with a cost.

Integration efforts have taken time, distracted the company's employees and led to higher than normal customer turnover as client retention fell to 92%. This is now largely behind Express Scripts and the company's execution should improve going forward.



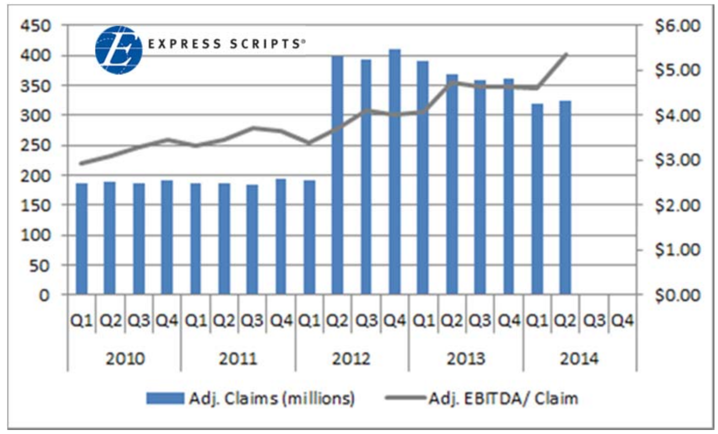
Acquisition accounting from the Medco and other transactions also gave rise to non-cash charges that reduce reported net income and understate the company's true earnings. We believe that the company's estimated free cash flow of over US$5.50 per share in 2014 is more representative of its true *owner earnings*.

Management's guidance to deliver 10%-20% annual earnings per share growth over the long-term appears reasonable to us given their historical track record.

"I will tell you the secret to getting rich on Wall Street. You try to be greedy when others are fearful. And you try to be fearful when others are greedy."

Warren Buffett
Berkshire Hathaway

At our recent purchase price of US$68.66 (less than 9 times pre-tax earnings) we viewed the stock as undervalued. Despite the stock's recent move higher (US$74.55), we still believe the stock is worth purchasing. Management seems to share our view as the company has repurchased over US$6.7 billion worth of stock over the past year and a half and reduced the outstanding share count by 9% all while maintaining the company's investment-grade rating.



Closer to home, we could have invested in Catamaran Corp. - a TSX-listed PBM. However, we prefer to invest based on the quality of the business and the attractiveness of the purchase price, not geography. When you can invest in the industry leader at a discount to both its competitors and the overall market, in our minds the preferred choice is clear: buy quality when it is on sale.

The geography of the company involved does matter but for a different reason than you may think. Our investment approach is to invest in great companies domiciled and operating primarily in shareholder-friendly jurisdictions. Canada, the United States and Western Europe all meet this test. We believe that supremacy of the rule of law combined with their global operations provides a lower risk method of gaining exposure to faster growing developing economies.

History Rhymes

"History doesn't repeat itself, but it does rhyme."

Samuel Langhorne Clemens
a.k.a. Mark Twain

Since our last newsletter the market has continued its upward climb making bargains even more difficult to find. However, we have managed to find a few quality names like Express Scripts that were selling at a discount.

IPOs of lesser quality continue to come to market, some at mind-boggling valuations. Debt covenants soften while overall leverage ratios creep higher. Historically this has not ended well.

In light of the market environment and the wise words (at top left) of someone that knows a thing or two about investment history, we will continue to own quality and remain patient for opportunities when they present themselves.

You should know that this view is not merely academic. I have over 70% of my immediate family's net worth invested alongside GreensKeeper's clients and I invest our clients capital as I do my own. Long-term, our capital preservation mindset should continue to serve us well.

Michael McCloskey
Founder & President

Investment Objective

We aim to deliver absolute returns to our clients (net of all fees) in excess of both the S&P/TSX Index and the S&P500 Index (measured in Canadian dollars) over the long-term.

Alignment of Interests

"I have over 70% of my family's net worth and 100% of our investable assets invested alongside our clients."

Michael McCloskey
B. Sc., J.D., MBA., CIM, AR
Founder & President

The GreensKeeper Value Fund

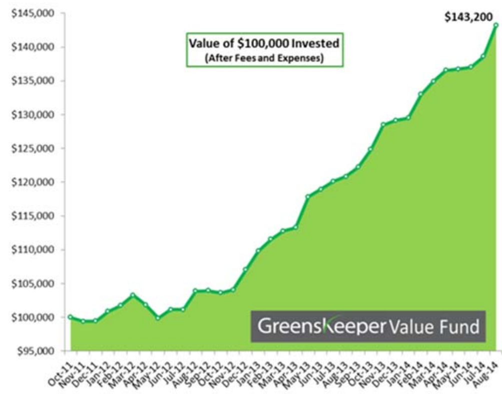
Minimum Investment	$150,000 ($50,000 for Accredited Investors)
Eligible for Registered Plans?	Yes (RRSPs, TFSAs, RESPs, etc.)
Launch Date	November 1, 2011
Type of Fund	Long equity, Long-term capital appreciation
Valuations	Monthly
Redemptions	Monthly on 30 days' notice
Management Fee	1.5% annual - (A series) 1.0% annual - (F series)*
Performance Fee	20% over 6.0% annual hurdle
Loss Carry-forward?	Yes – One year

Service Providers

Investment Manager	GreensKeeper Asset Management Inc.
Custodian and Account Administrator	National Bank Correspondent Network
Auditor	KPMG LLP
Fund Administrator	SGGG Fund Services Inc.

* F series issued generally to purchasers who participate in fee-based programs through eligible registered dealers.

The GreensKeeper Value Fund



2014	YTD	1-Year
Value Fund	10.9%	18.5%
S&P/TSX Total Return Index	16.9%	27.1%
DJIA Total Return Index ($CAD)	7.0%	21.6%
S&P 500 Total Return Index ($CAD)	12.2%	28.9%

Statistical Analysis	Value Fund	S&P/TSX	S&P500 (CAD$)	DJIA (CAD$)
Standard Deviation [1]	4.53%	7.97%	7.12%	7.67%
Total Positive Months	30	24	27	23
Total Down Months	4	10	7	11
Median Mkt. Capitalization	$33.6 Bill.			
2013 Annual Turnover Rate	11.3%			

[1] Annualized and based on monthly returns since inception (Nov. 1, 2011).
[2] All figures as at August 31, 2014.

Corporate Profile

GreensKeeper Asset Management Inc. is an independent, owner-managed asset management company. GreensKeeper was over 15 years in the making. After successful careers as a lawyer at a major Toronto law firm (M&A, Corporate Finance) and an investment banker with Cormark Securities, a leading independent investment bank, Michael McCloskey established GreensKeeper in 2010.

Investment Philosophy

Bottom-up fundamental analysis combined with the value investing methodology taught by our investing heroes: Benjamin Graham, Philip Fisher, Warren Buffett and Charlie Munger. We strive to purchase interests in high quality businesses for less than their *intrinsic value*. That discount provides us with our *margin of safety* to safeguard our clients' investments.

What We Look For :

Great Businesses*:* We prefer to stick to investments in businesses that we understand, with attractive underlying economics and that possess durable competitive advantages.

Solid Management: We seek investments in companies that are being run by competent and shareholder-friendly management teams.

Margin of Safety: We patiently wait for the stock market to offer us a price that allows us to buy a stock for a sufficient discount to our estimate of its intrinsic value.

Investment Philosophy (cont'd)

Our Best Ideas - The Value Fund is managed as a concentrated or "conviction" portfolio. We prefer to make a few large bets on 15-18 situations that we understand well and where we like the risk/reward trade-off. In other words, *our best ideas*.

Aversion to Leverage - We avoid the use of leverage. Doing so provides us with the benefit of never being forced to sell when market conditions are difficult.

"My family has known Michael for over 20 years and we have invested in the Value Fund. He has a track record of success and we sleep soundly at night knowing that he is growing our investments safely."

Dr. Erin Ray,
Anesthesiologist
Royal Victoria Hospital

This is intended for informational purposes and should not be construed as an offering or the solicitation of an offer to purchase an interest in the GreensKeeper Value Fund or any other GreensKeeper Funds (collectively, the "Funds"). Any such offer or solicitation will be made to qualified investors only by means of a final offering memorandum and only in those jurisdictions where permitted by law. GreensKeeper Asset Management Inc. is registered in Ontario, Canada under the categories of Portfolio Manager, Investment Fund Manager, and Exempt Market Dealer. An investment in the GreensKeeper Value Fund is speculative and involves a high degree of risk. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests and none is expected to develop.

The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits. There is no guarantee that the investment objective will be achieved. Moreover, the past performance of the investment team should not be construed as an indicator of future performance. In addition, the performance of the GreensKeeper Value Fund should not be mistaken for, and should not be construed as an indicator of future performance. The performance figures for the GreensKeeper Value Fund are unaudited, include actual or estimated performance or management fees and are presented for information purposes only.

Certain statements contained in this presentation are based on, *inter alia*, forward looking information that are subject to risks and uncertainties. All statements herein, other than statements of historical fact, are to be considered forward looking. Such forward-looking information and statements are based on current expectations, estimates and projections about global and regional economic conditions as well as industries that are major markets for GreensKeeper Asset Management Inc. There can be no assurance that such statements will prove accurate and, therefore, readers are advised to rely on their own evaluation of such uncertainties. Further, to the best of management's knowledge the information throughout the presentation is current as of the date of the presentation, but management specifically disclaim any duty to update any forward looking information. The GreensKeeper Value Fund strategy in no way attempts to mirror the S&P/TSX or the S&P500. The S&P/TSX Composite Index and the S&P500 Index are provided for information purposes only as widely followed indices and have different compositions and risk profiles than the GreensKeeper Value Fund.

Michael McCloskey – Founder & President
(905) 287-5596 (direct)
(647) 990-5480 (cell)
michael@greenskeeper.ca

2020 Winston Park Drive | Suite 100
Oakville, ON L6H 6X7

To learn more, please visit our website www.greenskeeper.ca or contact us.