GreensKeeper ASSET MANAGEMENT

The Scorecard

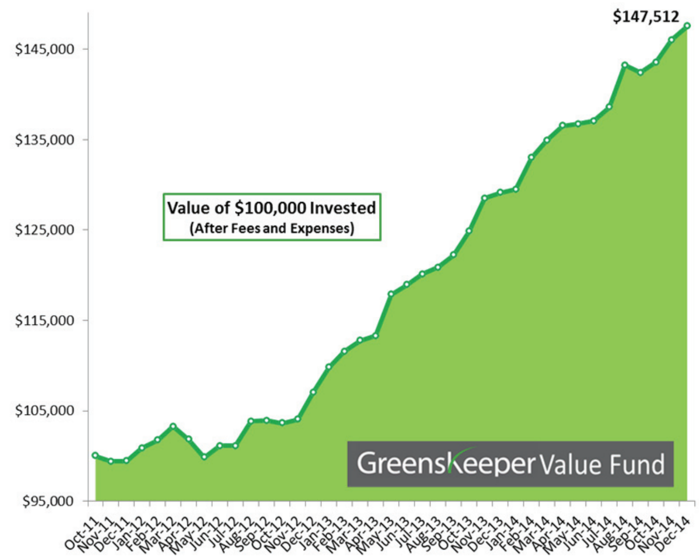
Issue #11 – January 2015

Coattail Riding

The Value Fund was up +14.2% in 2014 (after all fees and expenses). Our steady progress continues through the application of our disciplined investment process.

Our 2014 portfolio turnover ratio of 10.1% was even lower than the 11.3% recorded in 2013. For those unfamiliar with the term, portfolio turnover is essentially the percentage of a fund's holdings that change during a year. For example, a 100% turnover ratio implies that a fund replaces all of its holdings in a given year.

According to Morningstar, the average mutual fund has an 89% annual turnover ratio. This implies that the average holding period for any given stock in an average fund is about 13 months.



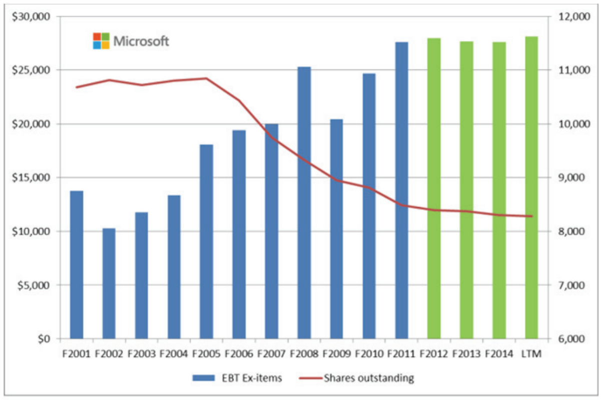
Monthly Results	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	-	-	-	-	-	-	-	-	-	-	-0.6%	0.0%	-0.6%
2012	1.4%	0.9%	1.5%	-1.4%	-1.9%	1.3%	0.0%	2.7%	0.1%	-0.3%	0.4%	2.9%	7.7%
2013	2.6%	1.6%	1.1%	0.5%	4.0%	0.9%	1.0%	0.6%	1.1%	2.2%	2.9%	0.5%	20.6%
2014	0.3%	2.7%	1.5%	1.2%	0.1%	0.2%	1.1%	3.3%	-0.6%	0.8%	1.7%	1.0%	14.2%

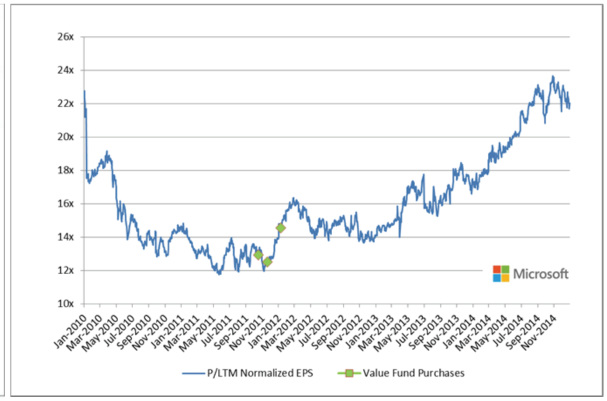
The implication of the Value Fund's significantly lower turnover rate is that we tend to hold stocks for long periods of time at GreensKeeper. An investment strategy with a high turnover incurs additional trading expenses and triggers taxable gains. As value investors, our preferred route to long-term profits is to wait patiently for very attractive investment opportunities. Once we find one, provided that the business' competitive advantage is durable and the company can continue to earn high returns on capital for years to come, the power of compounding makes a long holding period our friend.

Microsoft Corporation (NASDAQ:MSFT)

We last wrote about Microsoft in April 2012, shortly after having purchased it for the Value Fund. Here was what we wrote about our investment thesis at the time in Scorecard #3 **(link)**:

> *Microsoft has close to 80% gross margins and an unlevered return on equity in excess of 40%. The company is a cash flow machine – generating over $2 billion of free cash flow per month. We believe that Microsoft's dominant position in their key segments will continue for the foreseeable future. At our average cost of $26.58, we paid 9.7x trailing earnings (3% dividend yield) for one of the best software companies ever created. If we take into account the $45.5 billion in net cash that they had on their balance sheet at the time (we even applied a "repatriation tax" to the offshore component), the multiple was actually 8.2x.*





Fast forward to today. Microsoft's earnings have largely been stagnant but the company continues to repurchase its shares which increases per share earnings. More importantly, the multiple that the market is placing on the shares has expanded significantly. In other words, investors are more optimistic (or less pessimistic) about the company's future prospects.

We still own Microsoft although our enthusiasm for the stock is waning. Not because we believe the outlook for the company has worsened. Quite the contrary. Microsoft's new CEO Satya Nadella appears to be making headway on his plan to successfully bring Microsoft into the 21st century. And despite the company's increased capital expenditures in areas such as cloud computing, free cash flow has actually increased to $2.2 billion *a month*. The only thing that has changed, from our perspective, is the share price.

At $26.58 we were very excited to be purchasers of MSFT. But at $46.24 the stock doesn't get us excited anymore. Microsoft is currently trading at about 14x earnings once you factor in the $88.5 billion (yes you read that right) that they hold on their balance sheet. Adding in dividends received and some foreign exchange tailwinds and our total return has been about 110.6% (or 37.8% annualized) since our initial purchase. This is well in excess of market returns over that same period.

"Eppur si muove." (And yet it moves).

Galileo Galilei

Mathematician, Physicist and Philosopher

The efficient market hypothesis (EMH) posits that returns of this magnitude should not exist with a broadly held, large cap stock like Microsoft. To the EMH enthusiasts and university professors that are still teaching this junk, we would point them to the sage words (at left) uttered by Galileo 382 years ago during the Roman Inquisition.

You're Welcome Warren

In July 2014, we initiated a new position in pharmacy benefit manager Express Scripts (NYSE:ESRX). Since our purchase the stock has performed well and we are up about 31.6% in five months. The reason for writing about the stock again isn't to crow about our short-term results. No, the reason is much more amusing than that.

Warren Buffett has always been ultra secretive when it comes to his investments. Who can blame him. The man's investing acumen is superhuman and disclosing his positions only makes it harder (and more expensive) for him to build positions before "copycats" jump on the bandwagon. We suspect that there is also an element of "intellectual ownership" involved. Great investing ideas are scarce and usually take considerable effort to uncover. Why would you want to volunteer that information to others unless you had to? Warren has referred to the practice of copying another's investment ideas as "riding coattails" and it is fair to say that he looks down on it.

Which brings us now to the plot. The initial disclosure of our investment in Express Scripts was made in September 2014, a few months after initiating our position. We first mentioned Express Scripts in an article that we published in the *Globe and Mail* **(link)** and in Scorecard #10 **(link)**.

Current securities regulations in the United States require large investment managers like Berkshire Hathaway to file quarterly reports (called 13Fs) which disclose their investment positions, albeit with a time lag. Berkshire's latest filing was made on November 14, 2014, and the headlines the next day made us laugh out loud:

We will forgive Mr. Buffett this one time for riding our coattails on Express Scripts. After all, we have benefited so much from his teachings over the years.

All kidding aside, Berkshire was clearly purchasing Express Scripts at around the same time that we were buying it for the Value Fund. Moreover, given the relatively small size of Berkshire's position ($32 million) the purchase was likely made by one of his two investment lieutenants: Todd Combs or Ted Weschler. Nevertheless we took the disclosure as confirmation that we are hunting in the right places at GreensKeeper. Obviously they saw something that they liked, as did we. Only time will tell if our investment thesis proves to be correct.

"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right."

Benjamin Graham
The Intelligent Investor

Open for Business

We now have a 3+ year performance track record with the Value Fund and are in the process of expanding our headcount (in sales). Most of our new business comes to us through referrals from existing clients and for that we thank you.

We are always looking for new clients that share our long-term approach to investing. Our existing clients understand our approach as evidenced by the fact that most of the money that we manage is in our clients' long-term investment accounts (RRSPs, LIRAs, RESPs, etc.). At GreensKeeper, we focus on investing in quality companies with shareholder-friendly management teams. The trick is to patiently wait until they go on sale for reasons that we believe are transitory.

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 their capital. You should know that our approach is not merely academic. Our founder has over 70% of his immediate family's net worth and 100% of his investible assets invested alongside our clients at GreensKeeper.

If our approach resonates with you, or you just want to chat about stocks in general, we would love to hear from you.

Michael McCloskey
Founder & President

GreensKeeper
ASSET MANAGEMENT

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

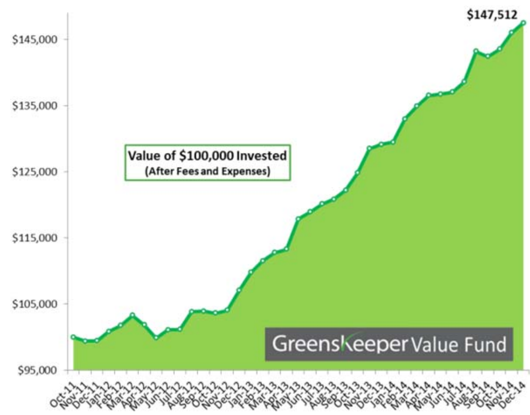
Minimum Investment	$150,000 ($50,000 for Accredited Investors)
Eligible for Registered Plans?	Yes (RRSPs, TFSAs, RESPs, etc.)
Launch Date	November 1, 2011
Type of Fund	Long equity, Long-term capital appreciation
Valuations	Monthly
Redemptions	Monthly on 30 days' notice
Management Fee	1.5% annual - (A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

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
Value Fund	14.2%
S&P/TSX TR Index	10.6%
DJIA TR Index ($CAD)	20.0%
S&P 500 TR Index ($CAD)	24.0%

Statistical Analysis

	Value Fund	S&P/TSX	S&P500 (CAD$)	DJIA (CAD$)
Standard Deviation [1]	4.40%	8.23%	6.88%	7.46%
Total Positive Months	33	25	31	27
Total Down Months	5	13	7	11
2014 Annual Turnover Rate	10.1%			

(1) Annualized and based on monthly returns since inception (Nov. 1, 2011).
(2) All figures as at December 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.

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