GreensKeeper ASSET MANAGEMENT

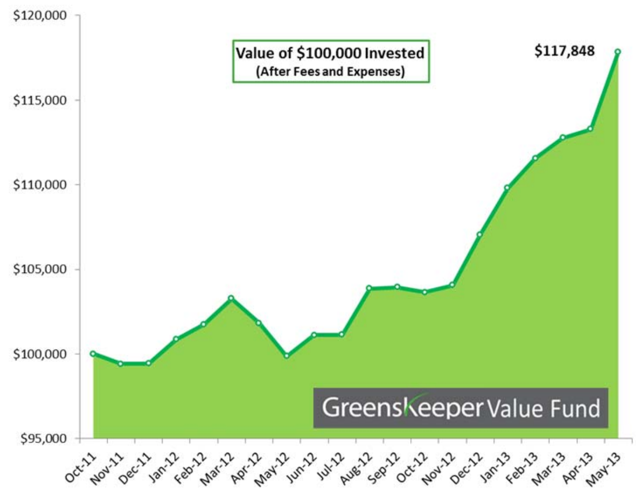
a division of LIGHTWATER PARTNERS LTD

The Scorecard

Issue #7 – June 2013

Anchors Aweigh

The Value Fund is up 10.1% so far in 2013 and 18.0% over the past 12 months (both figures are after all fees and expenses). Our results have been held back somewhat by our sizable cash position which has been an anchor in this ever-upward market. Fortunately, our cash has now been almost entirely deployed and the portfolio is likely to remain fully-invested going forward.



2013	YTD	1-Year
Value Fund	10.1%	18.0%
S&P/TSX Total Return Index	3.0%	13.3%
S&P 500 Total Return Index ($CAD)	19.9%	27.2%

Statistical Analysis

	Value Fund	S&P/TSX	S&P500 (CAD$)
Standard Deviation [1]	5.20%	8.29%	7.44%
Total Positive Months	15	11	14
Total Down Months	4	8	5
Median Market Capitalization	$34.7 Billion		
2012 Annual Turnover Rate	18.6%		

[1] Annualized and based on monthly returns since inception on November 1, 2011.
[2] All figures as at May 31, 2013.

Building the initial portfolio in a prudent and disciplined manner has taken some time. Longer than initially expected to be frank. However, preservation of capital is one of our key tenets of investing at GreensKeeper. Whereas many investors start with the upside when focusing on investment opportunities, we start by focusing on the risks involved. We would rather wait for very attractive opportunities to invest in great companies at attractive entry-points rather than settling for mediocrity. And great companies rarely stumble badly so we wait patiently for opportunities to present themselves. Our purchases of shares in Western Union (NYSE:WU) and Coach, Inc. (NYSE:COH) are perfect examples:

Our preservation of capital mentality may cause us to miss out on some of the upside in the short-term, especially in bull markets like the present, but long-term our capital should be safe and continue to grow.

GreensKeeper Inaugural Annual Meeting – May 28, 2013

GreensKeeper hosted its first-ever annual meeting several weeks ago and we had an excellent turnout. After a brief presentation on Value Investing and the Value Fund we opened up the floor to some Q&A. The quality of the questions coming from the audience was first-rate.

One of our goals at GreensKeeper is to pass along the value investing principles that we were taught by our investing heroes (Graham, Fisher, Buffett and Munger). It seems that our clients are returning the favour by

" Charlie and I always knew that we would become incredibly wealthy. We were not in a hurry… If you're even a slightly above-average investor who spends less than they earn, over a lifetime you cannot help but get rich if you are patient."

Warren Buffett
Chairman
Berkshire Hathaway

asking tough questions that keep us on our toes. Hopefully we held our own and we are already looking forward to next year's annual gathering.

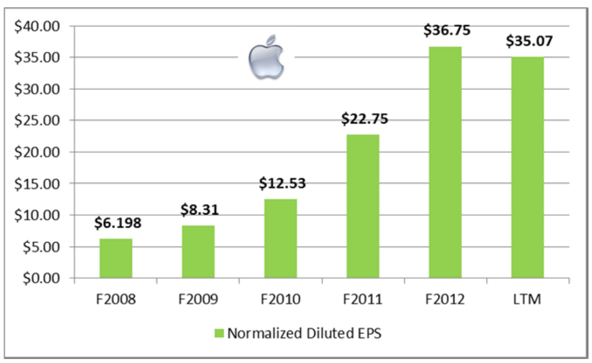
Apple, Inc. (Nasdaq: AAPL) – In the "Too Hard" Pile

As a consumer I love Apple, Inc. What's not to like? They make fantastic products that are user-friendly and often leading-edge. At first glance the stock also appears attractive. The company has pricing power, market-leading margins, a cult-like legion of customers and a fortress-like balance sheet with $145 billion of cash and equivalents. And the shares appear cheap – trading at less than 12x earnings. A value-investor's dream, correct? Perhaps not.

"The best way to predict the future is to invent it.."

Walter Isaacson, *Steve Jobs*

We decided to pass on Apple for a very simple reason – our inability to predict what the company will look like in the coming years. Rapidly changing technology is fantastic for consumers but not so much for investors. Change is the enemy of business.



	28-Jun-06	02-Apr-10	Today
iPhone			
iPad			

In fiscal 2012 Apple's flagship product – the iPhone – accounted for more than 60% of Apple's operating profit. My personal favourite – the iPad - represented another 10%-15% of Apple's operating profit for the year. In other words, three quarters of Apple's operating profit comes from two products. The iPhone did not exist seven years ago. The iPad only came into existence in 2010.

Apple's talented engineers and other employees notwithstanding, we believe that no one can tell what Apple will look like in five years. We know that we can not. Will competition cause fat profit margins to erode or lead to a loss of market share? Will the company go back to earning $6.20 per share as it did only five years ago or will earnings continue to grow from here? We simply don't know with any degree of conviction. The industry simply changes too fast and in ways that we find impossible to predict. As a result, we can't properly value the stock. In investing, there is no shame in saying that you don't know and moving on. However, failing to recognize your limitations is likely to bring future pain.

"We're gambling on our vision, and we would rather do that than make 'me too' products."

Steve Jobs

Some would argue that Apple's walled garden or "ecosystem" will keep the company's customers tied to its products and coming back for more. We believe that in time the quality of Apple's "moat" will reveal itself to be less secure than those who own the stock are assuming. A hot new smartphone (e.g. the Samsung Galaxy S4) may be all that it takes to lure away customers or at least put downward pressure on margins. Or maybe a competitor will invent a product that we haven't even dreamed of yet.

Perhaps we are being too harsh on Apple's future prospects and we acknowledge that the company may continue to be the market-leader in premium smartphones, tablets and whatever comes next. Or Apple's next products could be failures like the Apple Pippin and Newton. In either case, without a high degree of conviction about how things will evolve from here we choose to invest our money elsewhere. In a universe of investment opportunities there is no need to come to a definitive conclusion on the future direction of every stock. We simply choose to look for and invest in opportunities that are easier to predict.

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"In reality, no one knows what the market will do; trying to predict it is a waste of time, and investing based upon that prediction is a speculative undertaking."

Seth Klarman
Margin of Safety

Value Fund
Selected Former and Current Holdings

Aeropostale (NYSE:ARO)

AstraZeneca PLC (NYSE:AZN)

Berkshire Hathaway (NYSE:BRK.A,BRK.B)

Cisco Systems (Nasdaq: CSCO)

Coach, Inc. (NYSE:COH)

DirecTV, Inc. (Nasdaq:DTV)

GMP Capital Inc. (TSX:GMP)

Home Capital Group Inc. (TSX:HCG)

Joy Global, Inc. (NYSE:JOY)

Microsoft Corporation (Nasdaq:MSFT)

National Oilwell Varco (NYSE:NOV)

Sanofi S.A. (NYSE:SNY)

Tempur-Pedic (NYSE:TPX)

Wells Fargo & Company (NYSE:WFC)

Western Union Company (NYSE:WU)

Where To From Here?

Many (most?) investors are fascinated by the daily fluctuations of the stock market. CNBC, BNN and other business news programs fill countless hours of their programming days featuring "experts" that try and give meaning to recent market moves and predict the way forward. Investors are thus conditioned to search for meaning in Mr. Market's every twitch. It is a Pavlovian-like process.

As a result, it shouldn't surprise you to learn that we are asked countless times about our thoughts on the future direction of the markets and the basis for that opinion. What may surprise you is our answer. Judging from the long silence and puzzled look that usually follows our standard response it seems that it surprises others as well.

In the short-term (a day, a week, a month or even a few years) we believe that *the direction of the stock market is totally unpredictable*. In other words, it can not be predicted consistently by anyone. Accordingly, we don't spend *any* time trying to figure it out. It is simply a waste of time to try.

However, over the long-term the stock market is upward trending. Inflation alone will increase the level of the S&P500 Index over time as it is stated in nominal (as opposed to real) dollars. In addition, companies generally pay out annual dividends that are less than they make in annual profits. The retained earnings that they reinvest in their business generally result in higher future earnings.

Instead of trying to predict the future direction of the stock market, at GreensKeeper we spend our time studying individual companies that are unloved (and hence cheap). We try and determine if they are cheap for a valid reason, ever hopeful that on occasion we find a situation where the market has overreacted to a passing phenomenon. Provided that our work is first-rate, the company's business of high quality and its balance sheet in good shape, our results should be more than satisfactory in both up and down markets. In fact, many of the stocks that we own were purchased with plenty of bad news already priced in. Consequently, on a relative basis they should outperform more in down markets.

The more interesting question to ask us is whether we prefer bull vs. bear markets. Bull markets like the one we are currently experiencing make most investors feel good as their investment portfolio grows with each passing month. Unfortunately it also makes it increasingly difficult to find bargains.

At GreensKeeper we prefer sideways to down markets. The reason is quite simple. Bear markets and volatility create panic and the flight response that causes people to sell at exactly the wrong time (when stocks are cheap). Bear markets nurture *severe* stock mispricing. Provided that we are positioned to act (we are) and can do so with equanimity (we can), fear is our friend. That said, we are very comfortable operating in both bull and bear markets and are ready to exploit opportunities when they present themselves.

Michael McCloskey
Founder & President

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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

Our founder has over 70% of his family's net worth invested alongside our clients.

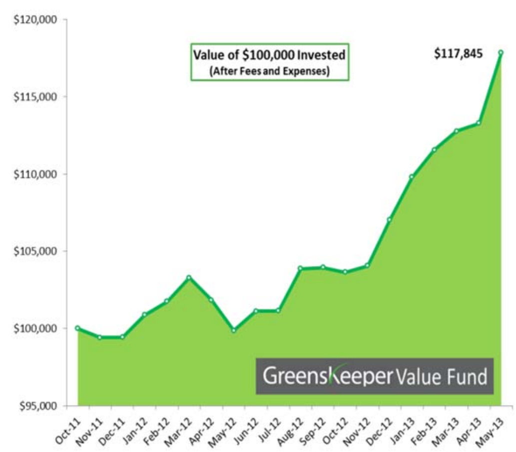
Michael McCloskey
Founder & President

The GreensKeeper Value Fund	
Minimum Investment	$150,000
Eligible for Registered Plans?	Yes (RRSPs, TFSAs, 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 3.0% annual hurdle
Loss Carry-forward?	Yes – One year

Service Providers	
Investment Manager	GreensKeeper Asset Management (a division of Lightwater Partners Ltd.)
Prime Broker and Custodian	CIBC World Markets
Auditor	KPMG LLP
Fund Administrator	SGGG Fund Services Inc.
Account Administrator	TD Waterhouse Institutional Services

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

The GreensKeeper Value Fund



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Corporate Profile

GreensKeeper Asset Management, a division of Lightwater Partners Ltd. 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.

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.

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GreensKeeper ASSET MANAGEMENT

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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 Lightwater Partners Ltd. 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 and the agents 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.