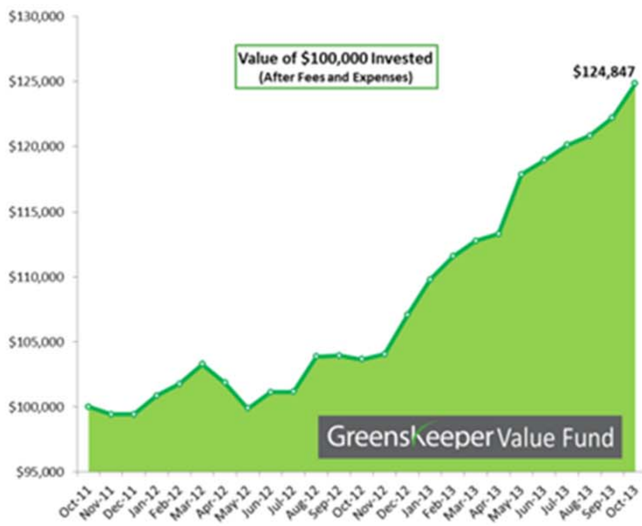
The Scorecard

Issue #9 – November 2013

Taking Stock

As of October 31, the Value Fund was up 16.6% in 2013 and 20.5% over the past 12 months (both figures are after all fees and expenses). Since inception we have had 20 positive months and 4 down months. Given that GreensKeeper recently celebrated it second anniversary and with a new calendar year fast approaching, we thought that it was the perfect time to revisit a few of our portfolio holdings, discuss a stock that we recently sold and to take a look at current market valuations.



2013	YTD	1-Year
Value Fund	16.6%	20.5%
S&P/TSX Total Return Index	10.3%	11.0%
S&P 500 Total Return Index ($CAD)	31.3%	32.7%

Statistical Analysis

	Value Fund	S&P/TSX	S&P500 (CAD$)
Standard Deviation [1]	4.69%	8.78%	7.61%
Total Positive Months	20	15	18
Total Down Months	4	9	6
Median Market Capitalization	$33.6 Billion		
2012 Annual Turnover Rate	18.6%		

[1] Annualized and based on monthly returns since inception (Nov. 1, 2011).
[2] All figures as at October 31, 2013.

Home Capital Group (TSX:HCG)

We first wrote about Home Capital in the *Globe & Mail* on August 8, 2012 (link). Since then the company has done what it usually does – execute on its business plan and increase earnings per share at a steady pace. We estimate that the company will earn about $7.30 per share in 2013 and at least $8.30 in 2014. A favourable regulatory ruling last quarter will also provide a tailwind for years to come. Despite the company's consistent execution, its stock has been anything but consistent.

The pullback in Home Capital this past spring was largely the result of a speech given by Steve Eisman, a U.S. hedge fund manager, at the Ira Sohn investment conference in New York. Mr. Eisman recommended that investors short Home Capital's stock given his view that the Canadian real estate market is overvalued (we agree) and that Home Capital is a "sub-prime" lender. Here is what we wrote to our clients back in May:

> *"We continue to believe that Home Capital is misunderstood, particularly by our friends south of the border who recently lived through the U.S. subprime housing debacle. Home Capital is an excellent lender. They do not make "no doc" (undocumented income) or "NINJA" (no income, no job, no asset) loans and their average loan has about 30% homeowner's equity behind them…. At current prices the stock is trading at approximately 7.3x 2013 earnings. We used the pullback as an opportunity to add to our position and believe that in time the stock will trade at materially higher levels."*

Our patience has been rewarded as Mr. Market is now awarding the company a reasonable price to earnings multiple. We remain vigilant as the Canadian housing market is not cheap by any means and Home Capital's shift to its more profitable "traditional" loans has had the effect of increasing the company's exposure to a major housing correction. But with a short position in the stock last reported at around 12% of the company's float, a short squeeze is a real possibility.

"You're looking for a mispriced gamble. That's what investing is. And you have to know enough to know whether the gamble is mispriced. That's value investing."

Charlie Munger
Berkshire Hathaway

When asked what the stock market will do:

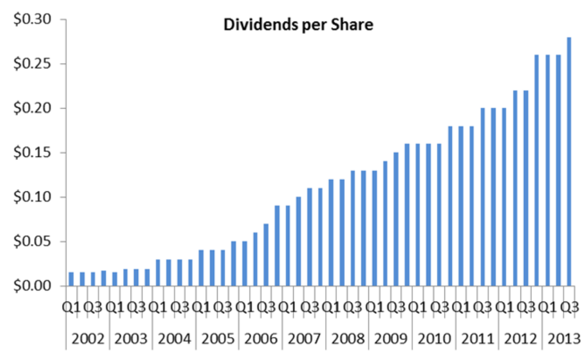
"It will fluctuate."

John Pierpont (J.P.) Morgan

With the stock currently trading at less than 10 times next year's earnings, and the shorts feeling some real pain, we are still comfortable owning the stock. Our cost base of $48.83 (+70%) and the company's habit of frequently increasing their dividend also makes the stock an easy one to hang on to.

Home Capital is a "compounder" and one worth holding on to for a long time absent more attractive places to put our capital or a change in our view of the company's business.

Our thanks go out to Home Capital's CEO - Gerry Soloway and President - Martin Reid for their exceptional execution and shareholder-friendly stewardship.



Western Union (NYSE:WU)

Western Union (NYSE:WU) reported decent Q3 results in late October but management's guidance was troubling and caused us to reassess our view of the company. Western Union is facing increasing compliance costs and is slowing its pace of share repurchases in order to preserve its investment-grade credit rating. We decided to sell our position after digesting this news. Western Union is a good company but not a long-term grower like Home Capital. With our purchase price of $12.54 we exited with a healthy profit (+28%). Our one regret was not selling before the quarter. Had we done so, our results would have been even better.

"Many of the important things about investing are counterintuitive. Low-quality assets can be safer than high-quality assets. Things get riskier as they become more highly respected (and thus appreciate)."

Howard Marks
Oaktree Capital Management

"One of the more painful lessons in investing is that the prudent investor (or 'value investor' if you prefer) almost invariably must forego plenty of fun at the top end of markets."

Jeremy Grantham
GMO Q3 2013 Letter

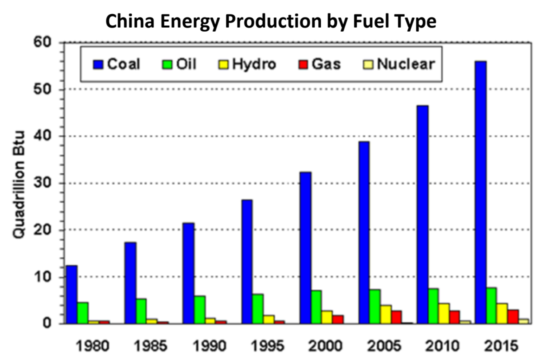
Our Dogs

The Value Fund's worst performing holding to date is … cash. That's right, cash. In this low interest rate environment it just sits there, growing nominally and begging us to deploy it. As new clients arrive at GreensKeeper, we seek to reinvest the additional cash but many of our holdings have become less attractive due to their price appreciation. As a result, our cash position steadily builds. In the midst of a rising bull market it has been painful to drag this anchor around. We continue to seek a better home for our cash but the reality remains that we are very picky. Our preservation of capital mindset means that we want to be very confident that the opportunities that we invest in are attractive. While this approach lets us (and hopefully our clients) sleep soundly at night, it has the unfortunate side effect of causing us to miss a few opportunities along the way. On several occasions since our launch we hesitated to purchase a stock, waiting for a more attractive entry point. Unfortunately our occasional hesitation has cost us some performance.

We can confidently make two promises to our clients. First, we will continue to make a few mistakes (hopefully they will mostly be errors of omission). Second, we will continue to learn from them. One of the great things about investing is the perpetual improvement that comes with age and incremental experience.

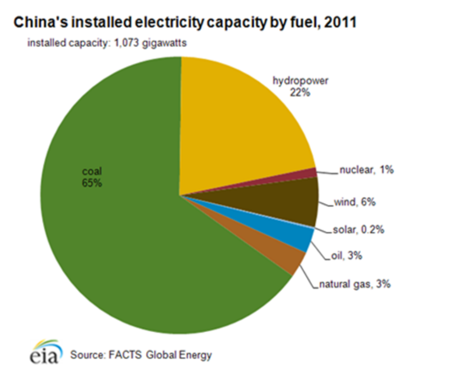
There are a few positives to carrying a cash position. First, holding some cash gives us optionality. In other words, when attractive opportunities present themselves, we can pounce. Second, the fact that cash has been our worst performer also means that every stock that we did purchase is up. Some (Home Capital and Western Union) more than others (Joy Global).

Joy Global (NYSE:JOY)



We first wrote about our investment in mining equipment maker Joy Global in October 2012 (link).[1] The company derives roughly two-thirds of its sales from coal-mining customers and the troubled state of the coal industry, particularly in the U.S., is weighing on the stock.

Coal is a dirty word these days and some wag even labeled it the "new tobacco". The Province of Ontario recently introduced a plan to ban all coal use in its power plants. Pictures of smog-shrouded Chinese cities are carried daily in the news. President Obama, through the Environmental Protection Agency, is curtailing the use of coal south of the border as well. These headwinds, along with slow economic growth across the globe have weighed on coal prices and, naturally, coal mining.



"Government is best when it gets out of the way of the marketplace by largely restricting its activities to limited regulation, national defense, protection of property rights and provision of public goods."

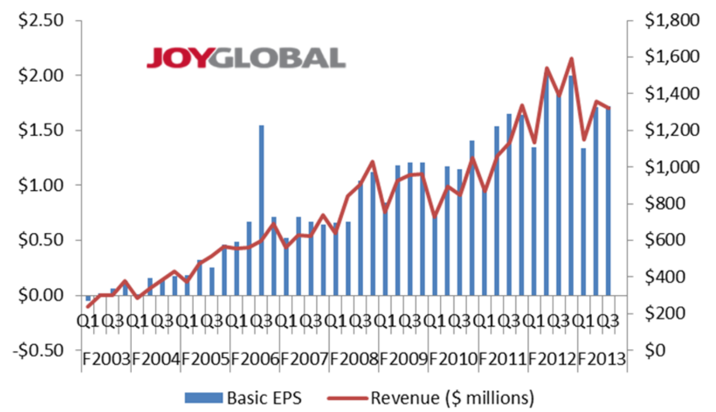
Jonathan R. Laing
Barron's

While we can debate the wisdom of North American energy policy, the reality is that we can afford to make decisions that favour the environment over the economy. Canada and the U.S. are wealthy nations. We can afford these trade-offs, even if certain policies may be ill-advised.

At GreensKeeper, we believe that emerging economies such as China will make different choices. And it is emerging economies that truly matter when it comes to coal. China alone consumes approximately 50% of the world's coal (it is four times the size of the US coal market). Coal is cheap, abundant and a reliable source of energy. It is used to generate 30% of the world's primary energy needs. As China's rise continues, its economy will require more and more energy to fuel its growth. India and other developing countries are no different. Like it or not, we believe that King Coal is here to stay.

[1] *"Mining equipment maker Joy Global could bring investors happiness." - Globe & Mail, October 15 , 2012.*

As one-half of a coal-mining equipment duopoly (with Caterpillar's Bucyrus division being the other half), Joy Global should continue to increase its earnings over the coming years, even if the road will not be a smooth one. And that, in a nutshell, is our investment thesis on Joy Global.



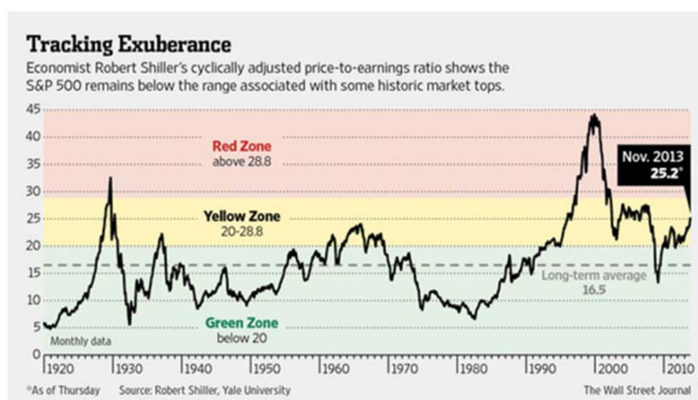
Our investment in Joy Global has been essentially flat (+4%) since we started purchasing the stock about a year ago. This is a disappointing result given the broader market's upward march over this period. Nevertheless, we remain long-term bullish on the name and are comfortable owning it in our portfolio.

Minding Mr. Market

Long time readers already know that we don't try and time the market at GreensKeeper. We will deploy capital any time that an attractive opportunity presents itself, regardless of market conditions or the state of the economy.

However, we do follow macroeconomic trends and general market valuations to provide useful context when evaluating specific companies and industries. The pictures at right speak louder than words.

These stock barometers, technology IPO valuations and our current struggle to find attractive opportunities are all telling us the same thing. At present, it is probably better to be more fearful than greedy.



Michael McCloskey
Founder & President

"The market value of all publicly traded securities as a percentage of the country's business -- that is, as a percentage of GNP ... is probably the best single measure of where valuations stand at any given moment."

Warren Buffett
Fortune (2001)

GreensKeeper ASSET MANAGEMENT

a division of LIGHTWATER PARTNERS LTD

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

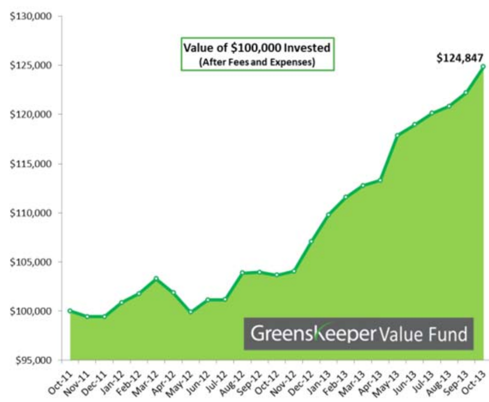
Minimum Investment	$150,000
Eligible for Registered Plans?	Yes (RRSPs, TFSAs, etc.)
Launch Date	November 1, 2011
Type of Fund	Long equity, Long-term capital appreciation
Valuations	Monthly
Redemptions	Monthly on 30 days' notice
Management Fee	1.5% annual - (A series) 1.0% annual - (F series)*
Performance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

GreensKeeper ASSET MANAGEMENT

a division of LIGHTWATER PARTNERS LTD

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.

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 Lightwater 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. Lightwater Partners Ltd 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 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 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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