GreensKeeper ASSET MANAGEMENT INC.

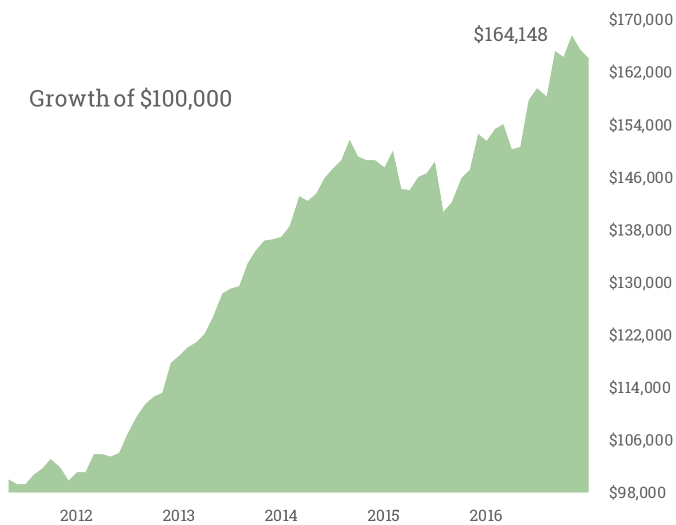
The Scorecard

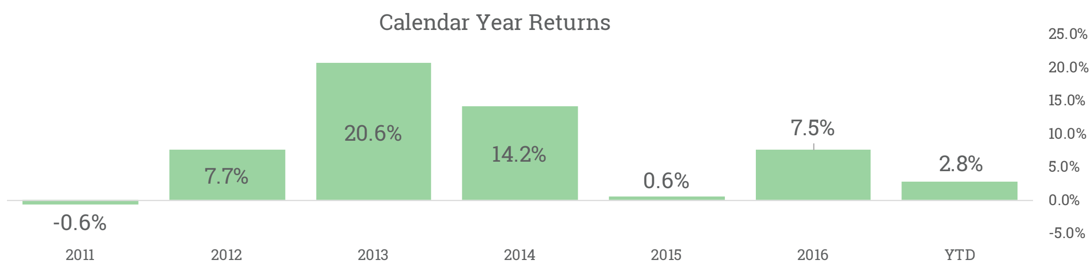
Issue #19 - July 2017

Twin Pandemics

The Value Fund was down (0.13%) in the second quarter and is up 2.82% year to date. The continued weakening of the US dollar and our US-centric holdings have held back our returns when measured in Canadian dollars (the Value Fund's reporting currency).

Our best performers for Q2 by portfolio contribution were Novo Nordisk +25.1% (discussed in detail on page 2), American Express +6.5% and Anthem +13.8%. Our biggest laggards were IBM (11.7%) and Chevron (7.4%).





Notes: All returns and Value Fund details are as of June 30, 2017, based on Class A units and are net of all fees. The Value Fund was launched on November 1, 2011. Prior to January 17, 2014 the Value Fund was managed by Lightwater Partners Ltd. while Mr. McCloskey was employed by that firm.

"The intelligent investor is a realist who sells to optimists and buys from pessimists."

Benjamin Graham

The Intelligent Investor

We are finding a few underpriced situations these days and made a timely addition of a new consumer discretionary stock to the Value Fund in Q2. Solid earnings followed and we are off to a good start. As we may still accumulate additional shares, we will disclose this new holding in a future letter. During the quarter we fully exited our holdings in Express Scripts (NYSE:ESRX). We had assumed that the company would be unable to renew its largest customer – Anthem (NYSE:ANTM) – when the contract comes up for renewal in 2020. However, we underestimated how profitable that contract was to the company which they finally disclosed to the market. Based on previous communications with the company's management, we felt misled on that point. Having profitably trimmed our holdings previously, we ended up with a small loss on our overall investment in the company.

We also fully exited our holdings in Bed, Bath & Beyond (Nasdaq:BBBY). The juggernaut that is Amazon (Nasdaq:AMZN) is making life difficult for most retailers these days. While Bed, Bath & Beyond remains very cheap by conventional metrics (6.9x trailing P/E as of the date of writing), we believe that their moat is being drained and their future profitability at risk due to changing consumer shopping habits. Given our initial assessment of the risks involved, our position size was always modest at less than 3.5% of the portfolio. Overall our investment cost us (0.35%) of performance. The lesson learned: determining the *durability* of the competitive advantage(s) of our investee companies is incredibly important. Chalk this one up to experience.

Novo Nordisk A/S (NYSE:NVO)

Value Fund holding Novo Nordisk is the world leader in diabetes care with a global market share of 27% by value (46% by insulin volume). The company was founded in 1925 and is headquartered in Denmark. However, its origins have a uniquely Canadian connection.

In the early 1920s, Dr. Frederick Banting and Charles Best conducted pioneering research on animal pancreases at the University of Toronto. Their research eventually led to the discovery of insulin and earned Dr. Banting the 1923 Nobel Prize in Medicine. Prior to their discovery, the treatment of diabetes consisted of a severely restricted diet which usually led to death within a year or two of diagnosis. And while a cure for diabetes remains elusive to this day, the advent of insulin has dramatically improved both life expectancy and quality of life for those stricken with the illness.

Dr. Banting and his colleagues patented their invention but considered the idea of profitable commercialization unseemly. Their goal was to make their life-changing invention safely available to as many diabetics as possible. Consequently, they sold their patent to the University of Toronto for $1 (you read that right). However, it quickly became apparent that the University did not have the ability to produce insulin in the quantities needed to meet the growing demand. Ultimately commercial licenses were granted to several pharmaceutical companies including a predecessor to Novo Nordisk.

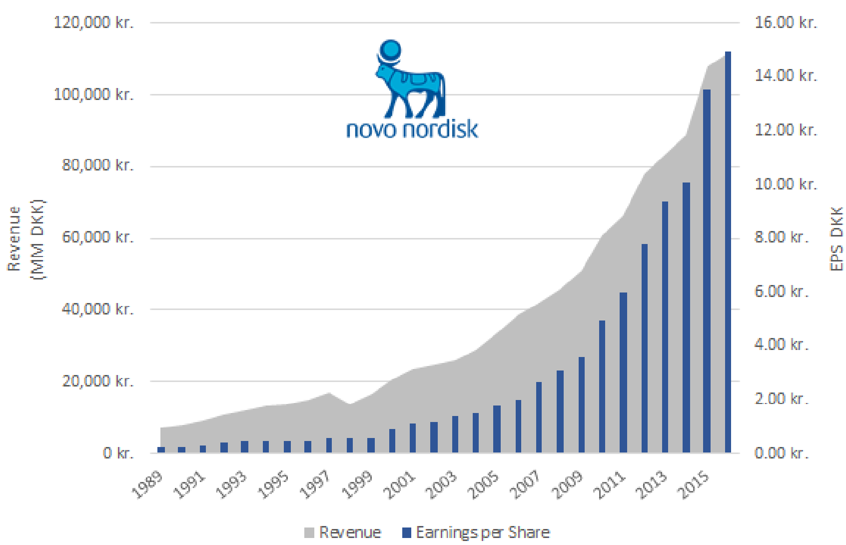
Novo Nordisk's Economic Moat

Fast forward almost a century and today the diabetes industry is dominated by a three-firm oligopoly consisting of Novo Nordisk, Eli Lilly (NYSE:LLY) and Value Fund holding Sanofi SA (NYSE:SNY). These three companies have managed to continually innovate by creating more effective and safer iterations of insulin and delivery devices that benefit diabetics. Each new innovation also gives them additional patent protection which has kept potential competitors at bay and allowed them to continually increase prices.

The economic moat enjoyed by the "Big 3" extends beyond mere patent protection. The manufacture of insulin is a complex process involving trade secrets and a significant initial investment in manufacturing facilities. For example, Novo Nordisk will spend US$1.5 billion this year to expand its production facilities in the US and Europe. In addition, insulin is manufactured biologically. Unlike small-molecule pharmaceuticals (most drugs), the molecular structure of biologics is large and complex as they are derived from living sources. Biological "copies" are not identical, they are merely bio-similar. This is a relatively new area of medicine and the regulatory framework is still evolving such that getting a biosimilar approved is more complicated than with generic drugs. Given the complexity of manufacture, discounting on biosimilars is unlikely to be as aggressive as with traditional drugs thus limiting pricing pressure.

The advantage of scale production and the need for scale in distribution (Novo Nordisk has a sales force of 16,000+) lends itself to an industry with just a few, large competitors.

Finally, once a diabetic finds an insulin that works well for them, they tend to stick with the same brand creating a consumer switching cost that locks in customers. The longstanding reputation (brand) of these companies also helps to perpetuate the status quo. Doctors and their patients want to know that they can trust the quality of the insulin being injected.



Limited competition, patent protection, brands, customer switching costs and barriers to entry – combine them all and you can understand why the Big 3 have enjoyed pricing power and have been able to increase prices frequently. The result? Novo Nordisk enjoys 85% gross margins, 42% operating margins and returns on equity approaching 100%. This is an incredible business.

The Opportunity / Investment Thesis

Novo Nordisk has a debt-free balance sheet, net cash of US$1.08 per share and pays a healthy dividend. Historically, Novo Nordisk has traded at price-to-earnings multiples over 20x. But the stock has had a major selloff due to two cuts to profit guidance which led to recent management changes. The company's current (lowered) guidance is for annual operating profit growth of at least 5% (down from its historical 15%).

The company's recent stumbles were caused by pharmacy benefit managers (PBMs), governments and other payers in the US using their growing clout to aggressively demand discounts and play off the Big 3 against each other or risk formulary exclusion. In addition, biosimilar products are slowly but surely being introduced to the market. This changing dynamic makes it increasingly critical for the Big 3 to make meaningful improvements to next-generation insulins in order to continue to demand premium prices.

Despite improvements in the treatment of diabetes, it remains a global pandemic. According to the World Health Organization (WHO), over 422 million people worldwide suffer from the disease. And as populations age in developed economies and improving standards of living lead to greater obesity levels in developing countries, the number of type 2 diabetics in particular will continue to grow. As a result, the Big 3 will have a huge tailwind at their back for many years to come.

Novo Nordisk gets solid marks for shareholder-friendly capital allocation. The company is a prodigious generator of free cash flow and has a demonstrated track record of returning almost all that money to shareholders through a combination of dividends and share repurchases.

Novo Nordisk's shares trade on a number of European exchanges however we prefer to own the American Depository Receipts (ADRs) that trade on the New York Stock Exchange (NYSE:NVO). We started accumulating shares in the Value Fund beginning in late 2016 and added to our position on several occasions in 2017. Our holdings in the company represented approximately 4.6% of the portfolio at June 30.

With an average cost of US$35.89 per ADR (or 229 Danish Kroner per share) we were able to buy the stock at a below-market 15x earnings multiple – in our minds a bargain for an above-average company likely to grow faster than both the economy and most companies. We are currently up +19.5% on our investment however it is far too early to declare victory. We anticipate that our investment thesis will play out over many quarters (and years). Given Novo Nordisk's business economics, history of continual innovation and success at managing the business over the past 92 years, we like our chances.

Exchange-Traded Funds (ETFs)

We are bombarded daily with advertisements for the latest iteration of exchange-traded funds (ETFs). Created by Vanguard pioneer Jack Bogle back in 1976, the concept has more than taken on a life of its own. I am often asked for my opinion on ETFs which I can boil down to a few salient points.

Select high-quality ETFs can have a place in any equity investor's portfolio. But most investors don't understand what they are buying or that the major market indices that many track are price weighted. In other words, the more expensive a stock, the more of it you end up owning in an index-ETF. This is the exact opposite of our more rational value investing approach. As stocks sell off they actually become more attractive, not less so. We think that the next major market correction, whenever it comes, will bring a few unpleasant surprises to ETF holders.

"What the wise do in the beginning, fools do in the end."

Warren Buffett

Secondly, there are a lot of poor-quality companies out there that we prefer to avoid. For example, at its peak valuation, Valeant Pharmaceuticals (TSX:VRX) accounted for 6.1% of Canada's S&P/TSX Composite Index. Shades of Nortel circa 2000. Again, we prefer to mitigate investment risk by owning high-quality businesses at undervalued prices and avoid the rest.

Finally, diabetes isn't the only pandemic currently spreading around the globe. As the Oracle so aptly put it: "What the wise do in the beginning, fools do in the end." Do investors really need a Global X Millennials Thematic ETF (NASDAQ:MILN), a tiny $6 million fund that targets companies that they deem attractive to Millennials? Or how about the Nashville Area ETF (NYSE:NASH) which owns diverse companies that happen to be located in Nashville, Tennessee? No doubt there will be additional thematic and multi-leveraged ETFs coming to market in the near future. Whenever there is market demand, the investment industry is sure to keep feeding it while it lasts. We would also posit that these are vehicles for speculation, not investing.

Okay, rant over. But I should mention that instead of investing via ETFs, I prefer to invest my own money directly alongside GreensKeeper's clients (in my case, over 70% of my family's net worth and 100% of our investible assets). We are believers in capital preservation and disciplined practitioners of a time-tested valuing investing methodology that should be a component of every investor's portfolio.

In short, we are different. If you are interested in learning more over coffee at our Oakville office or downtown Toronto, feel free to give me a call.

Michael McCloskey
President & Founder

GreensKeeper Value Fund

As at June 30, 2017

Fund Details

	Class A	Class F*	Class G**
Fund Codes	Pending	Pending	Pending
NAV	$14.18	$14.31	$10.75
MER (%)	1.75%	1.25%	< 1.75%

Load Structure	No Load
Performance Fee	20% over 6.0% annual hurdle
Min. Initial Investment	$50,000
Min. Investment Term	1 Year
Registered Plan Status	100% Eligible (RRSPs, TFSAs, RESPs, RDSPs, LIRAs, RIFs, etc.)
Inception Date	November 1, 2011
Type of Fund	Long equity, Long-term capital appreciation
Fund Category	Global Equity
Currency	CAD
Valuations	Monthly
Redemptions	Monthly on 30 days' notice
Distribution Frequency	Annually (December)

Fund Distributions (Class A)

Dec. 31	($/unit)
2012	$0.2318
2013	$0.2147
2014	$0.6542
2015	$0.2939
2016	$0.5416

Service Providers

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

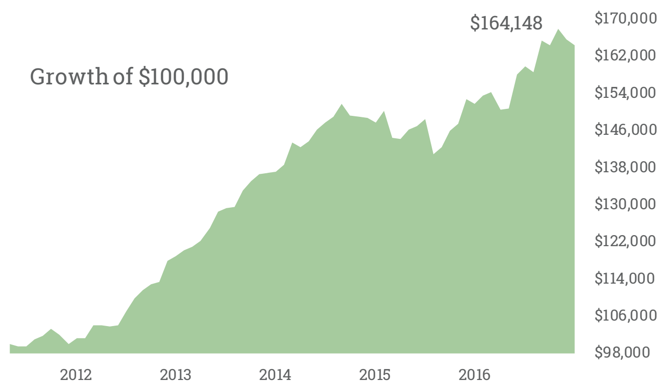
Investment Objective

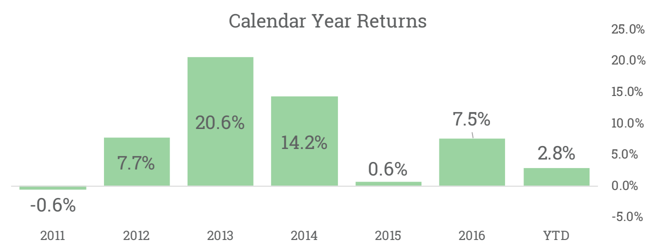
To deliver absolute returns to unitholders (net of all fees) in excess of both the S&P/TSX Index and the S&P500 Index (measured in Canadian dollars) over the long term. The Fund seeks to accomplish its set objective through investments in a concentrated portfolio, primarily in equities from any sector and market capitalization.

Investment Eligibility

Accredited Investors including Investment Advisors (IAs) with long-term time horizons seeking to better protect and diversify their clients' equity portfolios.

Portfolio Performance (Class A)





			Annualized			
Compound Returns(1)(2)	1 MO	YTD	1 YR	3 YR	5 YR	Inception
Value Fund	-0.8%	2.8%	8.3%	6.2%	10.2%	9.1%

Portfolio Allocations

Asset Mix *	
U.S. Equity	69.0%
Cash and Equivalents	13.0%
European Equity	10.1%
Canadian Equity	7.9%

* Based on corporate domicile.

Sector	
Financial Services	25.8%
Insurance	14.8%
Cash & Equivalents	13.0%
Healthcare & Pharmaceuti	12.1%
Communication & Media	9.6%
Technology	9.6%
Energy	6.2%
Consumer	5.9%
Retail	2.9%

GreensKeeper Value Fund

Portfolio Manager

Michael McCloskey
B Sc, JD, MBA, CIM, AR
Founder, President &
Chief Investment Officer
905.827.1179
michael@greenskeeper.ca

Our founder is among our largest investors and has over 70% of his family's net worth invested alongside our clients.

- Former Investment Banker (2002-2010)
- Former Lawyer (Partner), Securities and M&A (1995-2002)

Statistical Analysis [3]

	Value Fund	S&P/TSX	S&P500 ($CAD)
Fund Beta vs. Selected Index	n/a	0.36	0.43
Standard Deviation	6.0%	8.0%	9.7%
Sharpe Ratio	1.37	0.80	1.89
Best Month	4.7%	5.3%	6.9%
Worst Month	-5.1%	-6.1%	-5.5%
Percentage Positive Months	73.5%	64.7%	73.5%
Maximum Drawdown	-7.1%	-14.3%	-8.3%
CAGR Since Inception	9.1%	7.0%	20.3%

Investment Philosophy

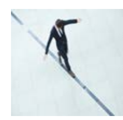
We follow a time-tested value investing process and conduct bottom-up fundamental research to identify attractive and underpriced equity investments for the portfolio. GreensKeeper believes in buying an interest in a quality business for less than its true worth or *intrinsic value*. That discount provides us with our *margin of safety* to safeguard our clients' investments.

Aversion to Leverage

Aversion To Leverage : We avoid the use of leverage. As a result, we are never forced to sell when market conditions are difficult (and stocks are undervalued).

Our Best Ideas

Only our best ~20 ideas find their way into the Value Fund. We prefer to assume shorter term volatility in exchange for what we expect will be longer-term outperformance.



How We View Risk

We reject the premise that volatility is the proper way to define and measure risk. Instead we believe that risk is best defined as the risk of a permanent loss of our clients' capital.

Disclosures

(1) All returns are as at June 30, 2017. (2) GreensKeeper Asset Management Inc. (GKAM) assumed the investment management responsibilities of the Value Fund on January 17, 2014. Prior to that date, the Value Fund was managed by Lightwater Partners Ltd. while Mr. McCloskey was employed by that firm. (3) Where applicable, all figures are annualized and based on monthly returns since inception. Risk-free rate calculated using 90-day CDN T-bill rate. * Class F Units are for purchasers who participate in fee-based programs through eligible registered dealers. ** Class G Units are for purchasers and dealers who have greater than $1 million managed by GreensKeeper and who enter into a Class G Agreement with us. Class G Units are not charged a management fee or performance fee by the Fund as Fees are paid directly to the Manager pursuant to the Class G Agreement.

This document 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 an offering memorandum and only in those jurisdictions where permitted by law. GKAM 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. Investments should be evaluated relative to an individual's investment objectives. The information contained in this document is not, and should not be construed as, legal, accounting, investment or tax advice. You should not act or rely on the information contained in this document without seeking the advice of an appropriate professional advisor. Please read the Fund offering memorandum before investing.

The Funds are offered by GKAM and distributed through authorized dealers. Trailing commissions, management fees, performance fees and expenses all may be associated with an investment in the Funds. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may reduce returns. There is no guarantee that the investment objective will be achieved. Past performance should not be mistaken for, and should not be construed as an indicator of future performance. The performance figures for the GreensKeeper Value Fund include actual or estimated performance or management fees and are presented for information purposes only. This document has been compiled by GKAM from sources believed to be reliable, but no representations or warranty, express or implied, are made as to its accuracy, completeness or correctness. All opinions and estimates constitute GKAM's judgment as of the date of this document, are subject to change without notice. GKAM assumes no responsibility for any losses, whether direct, special or consequential, that arise out of the use of this information. 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. 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 GKAM's knowledge the information throughout the presentation is current as of the date of the presentation, but we 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.

Disciplined

Value Investing is simple, but not easy. At GreensKeeper we put in the work and have the proper temperament to succeed in the stock market.

Alignment of Interests

Our founder is among our largest investors and has over 70% of his family's net worth invested alongside our clients. Does your investment manager have <u>any</u> of his/her own money invested alongside yours?

Owner Managed

Our clients deal directly with the people actually making the investment decisions. Do you know who is managing your money?

#DemandMore

GreensKeeper ASSET MANAGEMENT INC.

GreensKeeper Value Fund

Testimonials

Don't just take our word for it. See what our clients are saying :

"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

"I have known Michael for over 15 years and consider him a valued and trusted adviser. His prudent investment approach for the long term that ignores the short term market volatility is the reason we have invested much of our long term savings with him."

Erik de Witte
Entrepreneur, Former President
TD Financing Services

"Michael has a conservative yet productive approach to selecting companies to invest one's hard earned cash. I will be increasing my level of funds with Michael."

Peter McDonnell
Retired, Former President
Adcom Inc

"We began investing with GreensKeeper in 2013.   A large portion of our three grandchildren's education money is guided by Michael McCloskey and his patient advice. We have a long-term view towards investing and trust in the fund's risk aversion strategy for preservation of capital. I recommend GreensKeeper to my friends and family."

Timothy A. Brown
President & CEO
ROI Corporation

The foregoing testimonials are from existing GreensKeeper client families and may not be representative of the views of all people or investors. Certain testimonials were provided unsolicited and others were provided by request.