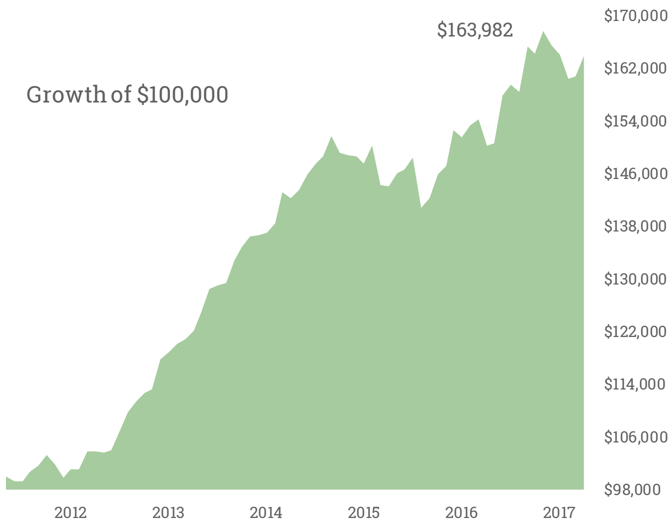
GreensKeeper ASSET MANAGEMENT INC.

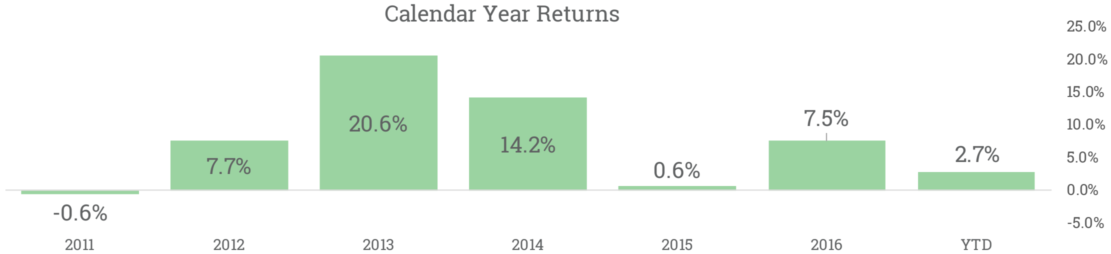
The Scorecard
Issue #20 - October 2017

A Money Making Machine

The Value Fund was flat (0.10%) in the third quarter and is up 2.72% year to date.

Currency movements were immaterial during Q3. The Canadian dollar has started weakening since September 11 and we are now recapturing some of the (6.5%) in performance that its previous rise has cost us this year (Canadian dollars are the Value Fund's reporting currency). We purposely accept this currency volatility in exchange for saving the hedging costs along the way.





Notes: All returns and Value Fund details are as of September 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 single greatest edge an investor can have is a long-term orientation."*
>
> **Seth Klarman**
>
> *Baupost Group*

Our best performers for Q3 by portfolio contribution were **Berkshire Hathaway** +8.2%, **American Express** +7.4% and Novo Nordisk +12.3%. Our biggest laggards were **Allergan** (15.7%), **Coach** (14.9%) and **Nike** (12.1%).

During Q3 we added **CVS Health** (NYSE:CVS) to the portfolio. You are likely familiar with their retail pharmacies but may not know that CVS also owns a major pharmacy benefit manager (PBM) that competes with former Value Fund holding Express Scripts. Many retail stocks are currently underperforming due to the threat posed by **Amazon**. More specifically, there are reports that Amazon is contemplating a move into the online pharmacy space which is weighing on CVS' stock – hence the opportunity. We believe that pharmacy – a highly regulated business - is more difficult to tackle than selling general merchandise. In addition, CVS' PBM is an underappreciated jewel and it recently won a major PBM contract with health insurer **Anthem** (NYSE:ANTM). We like CVS' long-term prospects and the risk/reward at these prices.

In August we sold about half of our position in **Corus Entertainment** (TSX:CJR.B) due to price appreciation and our view of the stock's intrinsic value. Factoring in dividends, we were up about 49% in 18 months and decided to take some profits. Subsequent to quarter end, we added a new European-based company to the portfolio. As we may still accumulate additional shares, we will disclose this new holding in a future letter.

Visa, Inc. (NYSE:V)

Value Fund holding Visa, Inc. is the world leader in retail electronic payments. Visa, along with competitor **MasterCard**, form a global duopoly in the sector. Visa is an incredible business. The company grows steadily without much capital reinvestment required, adds value to both consumers and retailers and is very difficult to compete against. Visa is truly a money-making machine.

A simplified overview of Visa's business model is warranted as it is often misunderstood. You have probably never given Visa's business much thought despite having a Visa-branded card in your wallet. While often thought of as a credit-card issuer, Visa is actually a technology company. Visa owns and operates VisaNet – a highly secure and reliable global network that authorizes, clears and settles financial transactions. Visa operates an open loop or four-party system consisting of (i) Issuers, (ii) Merchant Acquirers, (iii) Retailers and (iv) Consumers (cardholders).

In an open-loop system, credit and debit cards are actually issued by banks (e.g. RBC, Scotiabank) – known as Issuers. Visa authorizes these banks to issue Visa-branded cards and the Issuers agree to follow Visa's rules and pay Visa certain fees.

Retailers that wish to accept Visa as a payment method enter into an agreement with a Visa-authorized bank (called Merchant Acquirers) who agree to help the retailer process and settle transactions. Merchant Acquirers ensure that Visa's rules are followed and pay Visa certain fees.

When a card is presented by a consumer for purchase at a retailer, VisaNet routes the payment request for authorization to the Issuer bank. VisaNet's algorithms simultaneously analyze the transaction to detect and prevent fraud. Within one or two seconds the transaction is approved (or not) and the settlement of funds takes place between the two banks and the retailer within a few days.

An often misunderstood point is that Visa does not take any credit risk – that risk sits with the Issuing Bank that grants you the card, sets your credit limit and sends you your monthly statement. Visa simply sits in the middle - facilitating payment transactions and collecting a modest fee from Issuers and Merchant Acquirers that averages about $0.18 per transaction. That may not sound very impressive until you realize that VisaNet processes over 116 billion transactions every year or more than 3,700 *per second!*

The Four-Party System
(Open Loop)

Visa's Economic Moats

Visa is such a good business that you would think that others would try and replicate it. Easier said than done. Visa's business is protected by multiple competitive advantages or moats. The first is brand. Trust is extremely important when it comes to payments. Many years of usage by consumers and investment in security by the company gives all parties involved the confidence to use a Visa card. Second, Visa benefits from a network effect. Consumers want to use cards that are accepted by most merchants and merchants want to accept cards carried by most consumers. This virtuous circle is very powerful and difficult to replicate. To date, alternative payment providers, even those started by reputable and powerful companies (e.g. Apple Pay, PayPal) have generally partnered with Visa and MasterCard. Replicating their global payment networks and technological prowess is not a small feat.

Visa also benefits from switching costs. It is a major undertaking for an Issuing bank to switch all of its credit card customers to another branded card. Finally, Visa benefits from scale. Visa is largely a fixed-cost business. The incremental cost of processing an additional transaction is close to zero. Operating margins at Visa are currently 66% *and rising!* As a result, the company sensibly focuses on driving cards in circulation, card usage and volume.

Business Tailwinds

Visa also benefits from a number of macro trends. Cash usage continues to decline as consumers around the world are choosing to pay more often using plastic as incomes and standards of living rise. The secular trend of online commerce also plays into Visa's hands as online payments are all non-cash. According to the Nilson Report, Visa currently represents about 54% of all global payment transactions and Mastercard another 26% (or 80% combined). Given their dominance, both companies possess pricing power and regularly increase their prices.

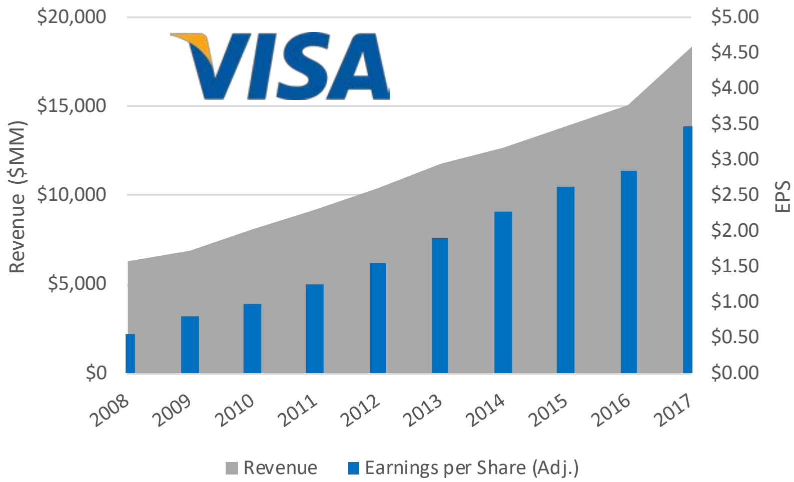
Visa acquired Visa Europe for over $20 billion in mid-2016. Visa Europe was previously owned by European financial institutions and operated as a not-for profit enterprise much like Visa was prior to its initial public offering (IPO) in 2008. We expect that the integration of Visa Europe over the next few years will follow Visa's historical path of expanding volumes and margins given Visa's experience and global scale.

Valuation

As a result of all these factors, Visa has been able to consistently grow its revenues at double-digit rates and earnings even faster through operating leverage. Over the past five years, Visa earned a cumulative $24.7 billion in earnings and paid out *all of it* to shareholders through a combination of rising dividends and share repurchases.

Without question, Visa is a remarkable business. But even great businesses are not worth an infinite amount. We believe that Visa will earn at least $4.00 over the coming year and should comfortably grow earnings per share at a double-digit pace for some time. Combined with the quality of the business and its capital-light nature, we believe the stock is worth at least 25x earnings or about $105. Many people think that value investing is all about low price-to-earnings (P/E) multiples. It is not. Value Investing is about buying something for less than its intrinsic value. A fast growing and high quality company is worth a lot more than a slower growing and inferior business. It is the comparison of price to intrinsic value that matters, not simply the relative P/E ratios.

We started buying Visa in late 2016 at a P/E in the low 20x range and our average cost is $79.38. Visa is our fifth-largest position in the Value Fund but with the stock trading at close to $110, we believe it fully valued at present and do not plan to add to our holdings at these prices. However, we are happy to allow our unrealized capital gain to compound at a reasonable rate unless and until a better opportunity presents itself.



"Investing should be more like watching paint dry or ***watching grass grow****. If you want excitement, take $800 and go to Las Vegas."*

Paul Samuelson
late U.S. economist and
Nobel Prize winner

Risks

There is risk in any investment and Visa is no exception. Regulation is probably the biggest risk facing the company. Visa's dominance and market power make them an easy target for regulators who prefer to cap their prices and shape rules that Visa imposes on Issuers and merchants choosing to participate in the Visa ecosystem. Class action lawsuits by consumers and merchants for monopolistic practices are another related risk.

Cybersecurity is another critical risk faced by the company. A data hack similar to the one engulfing **Equifax** would be very damaging to Visa's business. Fortunately, the company knows this and spends a lot of time, effort and money on that front. Consumer spending is cyclical and while a recession wouldn't expose Visa to credit risk, it would certainly slow payment volume growth. Finally, a disruptive technology could come along and create added competition. We believe that this is unlikely, but not impossible. We will continue to monitor these and other risks but remain long-term bullish on our investment in Visa.

Talk is Cheap

In a world of extremely low interest rates and an overvalued Canadian real estate market, we believe that equities remain an attractive asset class for Canadians. However, market valuations remain elevated – which is why we don't own the market.

Instead, we seek to invest in high-quality but undervalued companies with solid balance sheets. In the present environment we are very focused on risk mitigation and capital preservation when selecting investments.

These are not merely empty statements. We take the responsibility that comes with managing people's money very seriously. We are humbled by the trust that our clients place in us and work hard to ensure that that trust is continuously deserved. You should also know that I have over 70% of my family's net worth and 100% of our investible assets invested alongside the firm's clients. We walk our talk at GreensKeeper and believe in aligning interests.

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
ASSET MANAGEMENT INC.

GreensKeeper Value Fund

As at September 30, 2017

Fund Details

	Class A	Class F*	Class G**
Fund Codes	Pending	Pending	Pending
NAV	$14.16	$14.32	$10.78
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.

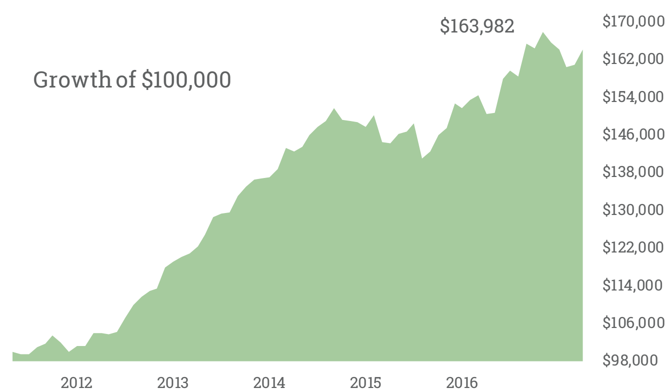
Investment Objective

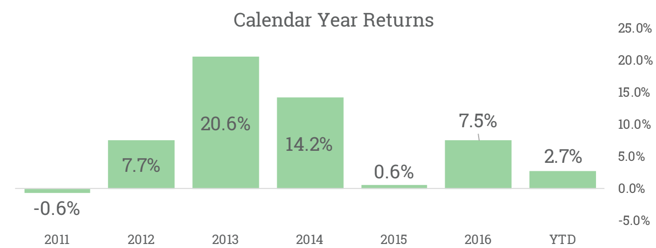
To deliver absolute returns to unitholders (net of all fees) in excess of both the S&P/TSX Index and the S&P500 Index (measured in Canadian dollars) over the long term. The Fund seeks to accomplish its set objective through investments in a concentrated portfolio, primarily in equities from any sector 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	1.9%	2.7%	9.1%	4.8%	9.5%	8.7%

Portfolio Allocations

Asset Mix *	
U.S. Equity	70.7%
Cash and Equivalents	15.9%
European Equity	9.4%
Canadian Equity	4.0%

* Based on corporate domicile.

Sector	
Financial Services	24.9%
Healthcare & Pharmaceuti	16.2%
Cash & Equivalents	15.9%
Insurance	14.6%
Technology	8.5%
Communication & Media	6.1%
Energy	5.8%
Consumer	5.1%
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	0.37	0.44
Standard Deviation	6.0%	7.9%	9.6%
Sharpe Ratio	1.30	0.85	1.83
Best Month	4.7%	5.3%	6.9%
Worst Month	-5.1%	-6.1%	-5.5%
Percentage Positive Months	73.2%	64.8%	73.2%
Maximum Drawdown	-7.1%	-14.3%	-8.3%
CAGR Since Inception	8.7%	7.4%	19.5%

Investment Philosophy

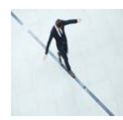
We follow a time-tested value investing process and conduct bottom-up fundamental research to identify attractive and underpriced equity investments for the portfolio. GreensKeeper believes in buying an interest in a quality business for less than its true worth or *intrinsic value*. That discount provides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

GreensKeeper
ASSET MANAGEMENT INC.

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 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.

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