Greenskeeper
ASSET MANAGEMENT INC.

2017 Annual Report

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- Clients -

Inside

Fellow Investors,

The Value Fund returned 7.8% in 2017 and a compounded return of 10.0% for the five-year period ended December 31, 2017 (both figures are net of all fees and expenses).

This was our sixth consecutive year of positive returns but our defensive positioning in an aging bull market led us to lag our benchmarks for the year. The S&P/TSX returned 9.1% and the S&P500(CAD) 14.0% in 2017. For value investors, returns can be lumpy as there are times when our assessment of a stock's value differs with the market. Which is why we focus on the long-term and not any one calendar year. Some years are likely to be spectacular, others less so. Ever forward.

We like the portfolio of stocks that we have assembled and our patience is beginning to pay off. The recent market volatility in 2018 has provided us with a few opportunities which we have seized by adding several new positions to the portfolio while trimming others. Preserving capital by thoughtfully managing risk remains a cornerstone of our investment framework at GreensKeeper. We are more concerned about a permanent loss of capital than being afraid of missing out.

Our results in 2017 were lowered by the strengthening of the Canadian dollar (the Value Fund's reporting currency), which cost the portfolio (5.6%) of performance for the year and about (9.0%) over the past two years. Despite these recent headwinds, we continue to believe that an unhedged portfolio is the right long term bet at current levels. On balance, a stronger greenback relative to the Canadian loonie is the more probable future scenario in our minds.

Some years it will help and some years it will hurt. We prefer to stay with the long-term probabilities and accept some short-term volatility in exchange for saving the hedging costs. Said differently, we are prepared to accept the risk of looking foolish at times in exchange for the reward of being better off in the long term. A more detailed explanation of our view on currency hedging can be found here.

In addition to enclosing the audited financial statements of the Value Fund (courtesy of KPMG), this Annual Report provides you with some commentary on the portfolio's performance for the year and a discussion of selected investments.

Portfolio Review

Our biggest contributor to the portfolio during 2017 was **American Express Company** (NYSE:AXP) which returned 35.8% for the year.[1] Back in 2015, Amex announced that they would be ending their 16-year relationship with Costco who decided to strike a deal with Citigroup instead. Amex management knew the importance of the account as Costco members represented 10% of American Express' total global balances. They negotiated hard to keep the business. But as the terms of renewal became unfavourable, Amex chose to walk away instead of agreeing to a bad deal.

The market panicked and the stock got clobbered. We already owned the stock and decided that while earnings would decline in the short term, the franchise was still intact. American Express is a very high quality business and the stock was far too cheap in our view. So we added meaningfully to our position (or "backed up the truck" as they say in the investment business). Sure enough, the company is managing its way through the Costco setback and the market has rerated the stock. With the large price appreciation, American Express is currently our second-largest holding.

Our second largest contributor for the year was **Novo Nordisk A/S** (NYSE:NVO) which was up 52.9%. 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. We have previously written about the company and our investment thesis in detail in July 2017 - Scorecard #19. This is another high-quality business that generates attractive returns on capital, significant free cash flow and has a debt-free balance sheet. The company is continually innovating to improve the lives of the growing number of people worldwide that suffer from diabetes.

We started acquiring the stock in late 2016 when it sold off over 40% due to missed financial targets and an increasingly difficult pricing environment in the United States. The company has been making strides and announced some favourable clinical results for their type-2 diabetes drug Ozempic® which they are now in the processes of launching. Novo Nordisk earned about 14.96DKK (Danish krone) per share in 2015, 15.39DKK per share in 2016 and is expected to earn about 16.15DKK per share in 2018. Modest, but respectable earnings growth. The company should continue to grow earnings at a modest pace going forward. What has really changed since we bought the stock is market sentiment. The market has finally come to agree with our valuation of the company and we are now sitting on a sizable gain. For the long-term investor, panic is our friend.

Visa (NYSE:V) was our third-largest contributor in 2017 with the stock returning 47.0% for the year. We have previously written in-depth about the company in October 2017- Scorecard #20. Visa is an ideal business. It is not capital intensive and uses most of its free cash flow to pay dividends and buyback its shares. Unlike American Express, Visa does not take credit risk. Instead, they license the use of their network (VisaNet) to banks that issue the cards to their customers and extend credit. Visa just sits in the middle and collects a tiny slice (about 18 cents) of the 116 billion transactions that they process every year – that's more than 3,700 transactions *per second*.

Visa's business is largely protected from competition from the combination of multiple moat sources: a trusted brand, network effects, switching costs and economies of scale. With limited competition comes pricing power. A quintessential example of Charlie Munger's Lollapalooza effect in action. With an increasing number of transactions occurring online and much of the world still gradually shifting away from cash, the company should continue to enjoy tailwinds for many years to come. The biggest risks to the company are regulatory actions that attempt to constrain Visa's negotiating power and the emergence of technologies such as blockchain. We are monitoring these developments but believe that Visa's business will be very difficult to disrupt.

(1) Individual stock returns include dividends and are presented on a currency-neutral basis.

As you would expect, we also experienced a few disappointments during the year. We acquired a small stake in **Bed, Bath & Beyond** (Nasdaq:BBBY) in late 2016. The stock appeared cheap and the company has a long and profitable history. Unfortunately, their world is changing … rapidly. 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 (less than 7x trailing P/E), we believe that their moat is being drained and their future profitability at risk due to changing consumer shopping habits. Without an effective means of combatting increasing online competition (e.g. unique/proprietary merchandise), the company will continue to face pricing pressures. Our assessment is that by continuing to own the stock, we would have borne the risk of waking up one day to find the company's earnings severely reduced (or worse).

Given our initial assessment of the risks involved, our position size was always modest at less than 3.5% of the portfolio. The stock was down about 9.4% from the beginning of the year until we sold it in April. Our investment in the company reminded us of a very important lesson. Determining the *durability* of the competitive advantages of our investee companies is incredibly important. Chalk this one up to experience.

During 2017 we also sold our position in **Express Scripts** (Nasdaq:ESRX). We had always 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.

In October 2017- Scorecard #20, we disclosed a new position in **CVS Health** (NYSE:CVS). We believed the stock to be cheap at the time. But shortly after our purchase, we were surprised by credible news reports that the company was in discussions to acquire health-insurer **Aetna** (NYSE:AET) and the transaction was eventually announced.

There is an argument to be made that the combination of a retail pharmacy, pharmacy benefit manager (PBM) and health insurer makes strategic sense. But the financial merits of the deal are, in our opinion, decidedly unattractive to CVS shareholders. The buyer usually loses in most M&A transactions. CVS will be adding significant financial leverage and issuing millions of undervalued shares to make the deal happen. When the news of the discussions hit the wire, CVS' stock sold off as the market viewed the prospect of a deal negatively for CVS, as did we.

This new information changed our view of the risk/reward of continuing to own CVS. Factoring in dividends received, we ended up down (10.3%) on our investment. But our focus on capital preservation and prudent growth demanded that we dealt with this new information and so we chose to invest our capital elsewhere.

Finally, our holding in drug company **Allergan plc** (NYSE:AGN) was a disappointment with the stock down (20.8%) for the year. Allergan engineered a brilliant sale of their generic drug business to **Teva Pharmaceutical Industries** (NYSE:TEVA) for $39 billion in 2016 which initially attracted us to the company. But since then, Allergan has experienced several challenges to their patented drug portfolio and made some questionable business decisions. As a result, we exited our position in the company subsequent to year end.

We finished the year with a net cash position of 11.3% and unrealized gains on our equity investments of approximately $4.5 million. A snapshot of the entire portfolio at year end can be found on the Schedule of Investment Portfolio contained within the Audited Financial Statements. Additional portfolio disclosures including performance statistics can be found on pages 6-9.

Managing Risk

The total impact to the portfolio of our investments in the four laggards mentioned above (BBBY, ESRX, CVS and AGN) was (1.10%) in 2017. In other words, measured either individually or collectively, they were not catastrophic. The reality of investing is that you are going to make some mistakes. The future is always uncertain and full of unexpected surprises. But there are things that you can do to mitigate them- and we do.

The most obvious way to manage risk is to purchase stocks when they are on sale – the fundamental tenet of value investing. Lower prices reduce the risk of any investment. It's a simple concept but one that seems to confound most investors. It also helps to ensure that the company's business is a good one, with sustainable competitive advantages to ward off competition. Stay away from highly-levered companies whose debt load makes them less resilient and unable to deal with unexpected surprises. Study management to ensure that they make business and capital allocation decisions that are shareholder friendly. Be very patient by waiting for high-quality opportunities and then pounce aggressively when they present themselves. When they aren't available, be willing to hold some firepower in reserve in cash. Assemble a portfolio of such stocks, with individual weightings determined by your level of conviction and the relative attractiveness of each opportunity.

If you do all of the foregoing successfully (which is what we try to do each and every day), the odds should be decidedly in your favour. Mistakes will happen, but they should remain manageable provided that you continue to monitor things closely and react if the facts change or your initial investment thesis comes into question. Our investing approach is best summed up by the sage advice of famed value investor Mohnish Pabrai – "Heads I win; Tails I don't lose much".[2]

It is also important to be mindful of the overall investment environment. In 2017, equity markets were higher, as they have generally been since the Great Recession of 2008. Naturally, this leads to greater risk taking, complacency and excesses (think Bitcoin and the valuation of many cannabis-related stocks). Having gone so long without a major correction, everyone is making money and people forget about risk. We do not.

In rising markets, our focus on risk mitigation actually *increases*. I have over 70% of my immediate family's net worth and 100% of our investible assets invested alongside GreensKeeper's clients. Being the largest client of the firm tends to focus the mind and also aligns my interests with that of our other clients.

Our goal, and the reason for the firm's existence, is to deliver attractive above-market returns to the firm's clients over the long term while also maintaining our disciplined approach to risk management. Our defensive posture means that when markets are bullish, we are prone to lag at times. Conversely, when fear rules and markets sell off, we are likely to do better than the broader market. To illustrate, during months that the S&P500 was negative over the past five years, the Value Fund was down less than half as much (Value Fund -15.4% vs. S&P500(CAD) -30.8%).[3] Over the course of a full market cycle - which we have not yet encountered during the Value Fund's seven years of existence - we like our odds of outperformance.

To be clear, we are not permabears. Nor are we market timers. So, when markets are frothy, what's an investor to do? We continue to believe that equities offer the best alternative of the various asset classes available. That said, we have no desire to own the market. When you own the S&P500, you own overvalued names like Amazon. We like the company, but at over 300x earnings, no thank you. Instead, we look for securities that meet our qualitative and quantitative tests of quality and value. They are difficult to find in the current market. But we have been able to find a few intelligent things to do and work constantly to try and unearth attractive investments. When we find the next one, we will act, regardless of what the market may be doing.

(2) *The Dhandho Investor: The Low-Risk Value Method to High Returns*, by Mohnish Pabrai (2007).

(3) This statistic is better known as the down-market capture ratio and is reported in Canadian dollars – the Value Fund's reporting currency.

Annual Meeting

GreensKeeper's 7th Annual Meeting will be held at **7:00 p.m. on Wednesday, June 13** at the Mississaugua Golf & Country Club. Additional details will follow in the coming months. Clients, potential clients, friends and family are all welcome. We intend to video record the session this year so please start to think about some tough investing questions for us to take on. We hope that you can join us.

* * * * * * * * * * * * *

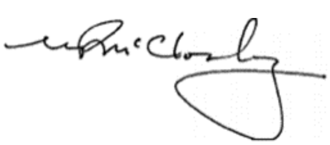
Finally, I want to take this opportunity to thank all of our clients. I am humbled when I reflect on the trust that you have placed in GreensKeeper to manage your hard-earned savings. We are also appreciative of the referrals that we receive. We grew our assets under management (AUM) once again in 2017, like every year since inception, thanks to you. Almost all of our new business comes from referrals from existing clients and our growth would not be possible without your support.

My penchant for mathematics and my lifelong fascination with the stock market eventually drew me towards a career in asset management and the formation of GreensKeeper in 2010. Reflecting back on the first leg of this wonderful journey, what I have enjoyed most is getting to better understand innumerable businesses and industries. In other words, expanding my own circle of competence and becoming a better investor. Like interest, knowledge compounds over time.

In order to accomplish this, I spend the bulk of my time reading, researching and managing the portfolio. My capacity to do this has dramatically improved with the addition of Michelle Tait to the team just over a year ago. Michelle does a terrific job handling client enquiries, regulatory compliance and other administrative functions which frees up my time to do what I love most. Thank you Michelle!

Seven years in, My Painting (aka the Value Fund) is not yet finished, nor will it ever be. There is simply no end to my quest to make it ever better and to go to bed each day a little wiser than when I woke up. We will remain consistent and disciplined in our approach and focused on what the firm was established to accomplish. Namely, to make money *for our clients*.

March 28, 2018



Michael P. McCloskey

President, Founder &
Chief Investment Officer

GreensKeeper Value Fund

As at December 31, 2017

Fund Details

	Class A	Class F*	Class G**
Fund Codes	Pending	Pending	Pending
NAV	$14.86	$14.94	$11.22
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
2017	$0.0000

Service Providers

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

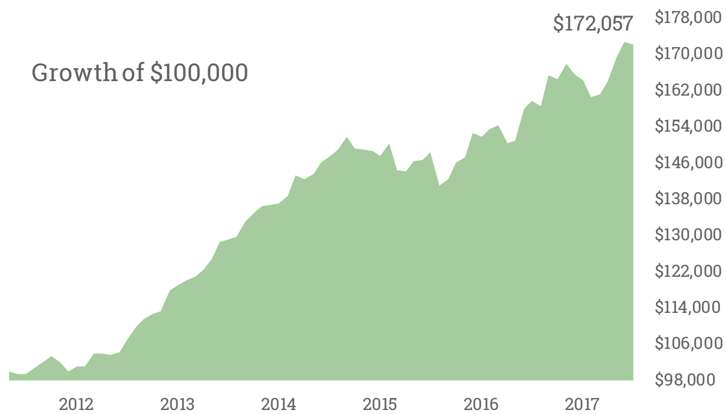
Investment Objective

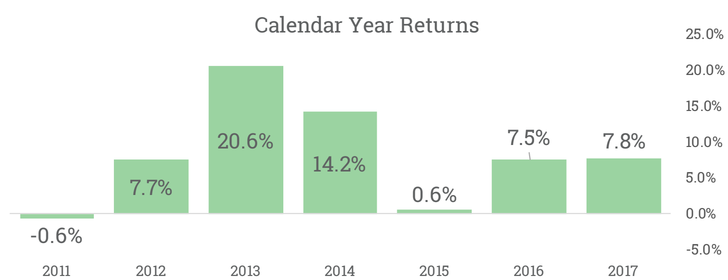
To deliver absolute returns to unitholders (net of all fees) in excess of both the S&P/TSX Index and the S&P500 Index (measured in Canadian dollars) over the long term. The Fund seeks to accomplish its set objective through investments in a concentrated portfolio, primarily in equities from any sector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





Compound Returns[1][2]	1 MO	YTD	1 YR	3 YR	5 YR	Inception
			Annualized			
Value Fund	-0.4%	7.8%	7.8%	5.3%	10.0%	9.2%

Portfolio Allocations

Asset Mix *	
U.S. Equity	74.5%
Cash and Equivalents	10.4%
European Equity	11.4%
Canadian Equity	3.7%

* Based on corporate domicile.

Sector	
Financial Services	21.8%
Technology	18.9%
Insurance	15.8%
Healthcare & Pharma	10.8%
Consumer & Retail	10.8%
Cash & Equivalents	10.4%
Energy	6.0%
Communication & Media	5.6%

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	0.45
Standard Deviation	6.0%	7.8%	9.7%
Sharpe Ratio	1.37	0.91	1.87
Best Month	4.7%	5.3%	6.9%
Worst Month	-5.1%	-6.1%	-5.5%
Percentage Positive Months	73.0%	66.2%	73.0%
Maximum Drawdown	-7.1%	-14.3%	-8.3%
CAGR Since Inception	9.2%	7.8%	20.0%

Investment Philosophy

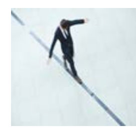
We follow a time-tested value investing process and conduct bottom-up fundamental research to identify attractive and underpriced equity investments for the portfolio. GreensKeeper believes in buying an interest in a quality business for less than its true worth or *intrinsic value*. That discount provides 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 December 31, 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

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.

Appendix

Audited Financial Statements

(Clients)

Greenskeeper
ASSET MANAGEMENT INC.

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