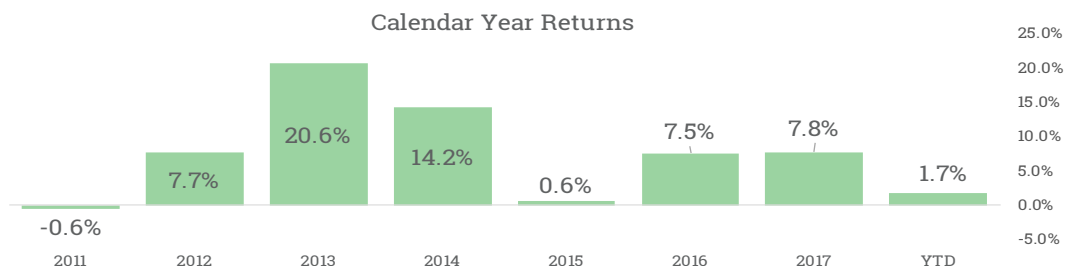
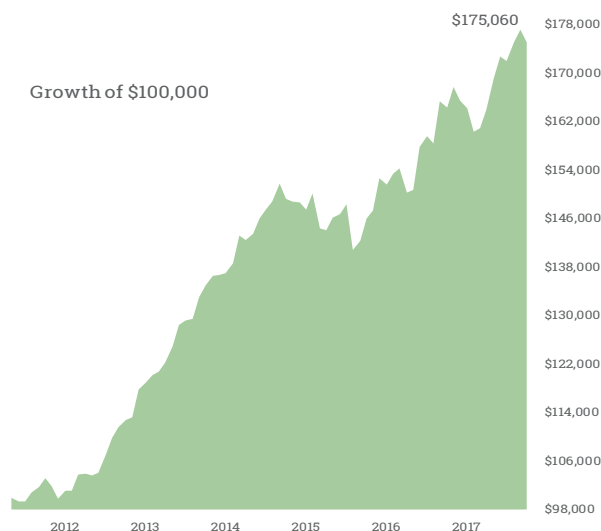


Compounding Knowledge

The Value Fund was up +1.75% in Q1 vs. the S&P/TSX which was down -4.52% and the S&P500(CAD) which was up +1.74%.

Markets are off to a rough start in 2018 and volatility is on the rise. The prior calm lulled a number of “investors” to short the VIX (fear index), presumably because they believed that turbulent markets had been abolished. Their investments were recently wiped out. Regular readers will not be surprised to learn that we avoided this folly (and the Bitcoin mania as well).



Notes: All returns and Value Fund details are as of March 31, 2018, 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 U.S. dollar – which hurt us last year – strengthened and provided a 2.4% tailwind in Q1. These ups and downs tend to even out over time.

Our best performers for Q1 by portfolio contribution were **Booking Holdings** (Nasdaq:BKNG) +19.7% - a new position that we added to the portfolio in Q4 2017 when it was known as **Priceline Group** - and portfolio stalwart **Cisco Systems** (Nasdaq:CSCO) +12.0%. Our biggest laggards were **Wells Fargo** (NYSE:WFC) -13.6% whose challenges continue and **American Express** (NYSE:AXP) -6.1%. We also fully exited our position in **Corus Entertainment** (TSX:CJR.B) after they reported disappointing results. Overall, Corus was a good investment for us as we bought cheap, sold most of it last August at \$13.92 and earned monthly dividends along the way. But the media industry is rapidly changing and the risks of continuing to own the name have increased so we decided to move on.

Express Scripts Holding Co.

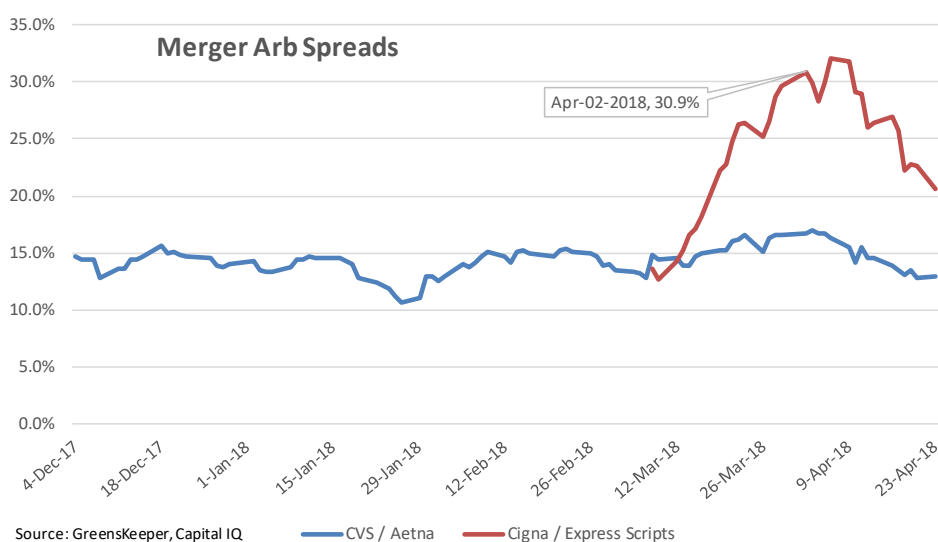


We purchased shares in **Express Scripts** (Nasdaq:ESRX) in March. Longtime readers will recall that we have owned the stock previously and our previous articles on the company can be found [here](#) and [here](#). But our reason for owning it this time is entirely different. Here's what changed.

On March 8, 2018 Express Scripts announced that it had agreed to be acquired by health insurer **Cigna Corporation** (NYSE:CI) in cash and stock merger. If the deal closes, a holder of an ESRX share will receive about \$91.00 in value, or a 31% premium to where the stock was trading at the time. As expected, Express Script shares rose on the news and Cigna's declined. But then something interesting happened.

In merger situations like this, the target company (Express Scripts) will typically trade at a modest discount to the deal price to reflect the risk of the transaction not closing and time value (sellers don't get their consideration until the deal closes). The discount is referred to as the merger arbitrage spread and it generally declines over time as closing becomes more certain and imminent.⁽¹⁾

What is interesting is that the spread on this transaction ballooned to over 31% in early April and Express Scripts started trading at a price *lower* than the undisturbed price that the stock was trading at prior to the deal announcement. Read that sentence again. We think the proposed transaction is similar to the pending combination of **CVS Health** (NYSE:CVS) and **Aetna** (NYSE:AET). But that second deal has consistently traded at a more reasonable spread of 15% or less. We have yet to hear of a compelling reason why the Express Scripts spread is so wide. So we promptly analyzed the situation and bought Express Scripts for the portfolio on April 2. Here's our rationale.



There are only two possible outcomes:

- A. The transaction closes and we earn a 30% return. We have assumed that the transaction takes a year to close but if it closes by year end (management's view), our annualized return will be closer to 40%.
- B. The transaction doesn't close. In this scenario, Express Scripts stock will sell off, but likely not much lower than where it is currently trading which is also close to our estimate of the stock's intrinsic value absent the deal. But Cigna will be obliged to pay Express Scripts a break fee of up to \$2.1 billion if the deal fails. A nice consolation prize which further mitigates our risk.

What are the odds of each outcome? As the financing for the transaction has been secured, there are only two feasible reasons why the transaction doesn't close. First, the shareholders of both companies need to approve the deal. Express Scripts' shareholders will certainly approve it given the deal premium. Cigna shareholders may not like the deal. But Cigna management initiated the deal and will do their best to garner support. In addition, Cigna's shares are broadly held with the largest shareholders being passive index funds who are likely to follow management's lead.

⁽¹⁾ Often, investors in Merger Arbitrage situations will go long (buy) the target and short (sell) the acquirer's stock. By doing so, they benefit as the spread narrows but can lose heavily if the deal doesn't close. We don't short and even if we did, our investment thesis supports a long-ESRX position without a corresponding short position in Cigna.

"The two rules of fishing are to fish where the fish are, and don't forget the first rule."

Charlie Munger

The real risk is if regulatory approval from the U.S. Department of Justice is not obtained. We see no compelling policy reasons to block the deal, but you never know.

We think the odds of a successful closing are at least 50% (several analysts believe it is much higher, but we like to be conservative). If it does close, we earn a terrific, low-risk return. If it doesn't, we may suffer a modest loss. The asymmetric payoffs and our familiarity with Express Scripts and its industry gives us comfort in making this calculated bet. To date, the spread has narrowed and we are up +10.9%. But it is early and only time will tell how this situation ultimately plays out.

If you are interested in learning more, our investment thesis in Express Scripts was published by [Barron's](#) a few weeks ago. For hard core stock analysts, a more detailed investment memo containing our analysis can be found [here](#).

We generally prefer investments in companies that will compound their value over time. However, in an expensive market where bargains are hard to come by, special situations like this can greatly enhance returns while still mitigating risk. To paraphrase Charlie Munger (at left), you need to look for bargains wherever they present themselves. Finally, it is worth pointing out that we were in a position to act quickly on this opportunity because of our prior work on Express Scripts. Investment knowledge, like interest, compounds over time.

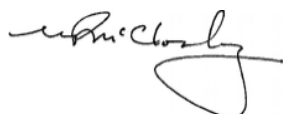
2018 Annual Meeting

GreensKeeper's 7th Annual Meeting will be held on **Wednesday, June 13 at 7:00 p.m.** at our usual spot - the Mississauga Golf & Country Club. Additional details can be found [here](#).

If you are interested in learning more about investing, come join us! The meeting is open to clients, potential clients, friends and family. After a brief presentation, we open the floor to Q&A so please bring some tough questions with you.

If you plan to attend, just RSVP to either [myself](#) or [Michelle Tait](#) via email to help us to plan the logistics.

April 23, 2018



Michael McCloskey
President & Founder

GreensKeeper Value Fund

As at March 31, 2018

Fund Details

	Class A	Class F*	Class G**
Fund Codes	Pending	Pending	Pending
NAV	\$15.12	\$15.22	\$11.47
MER (%)	1.8%	1.3%	< 1.8%
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, TFSA's, RESP's, RDSP's, 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)		
	Dec. 31	(\$/unit)	
	2012	\$0.2318	
	2013	\$0.2147	
Fund Distributions (Class A)	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.

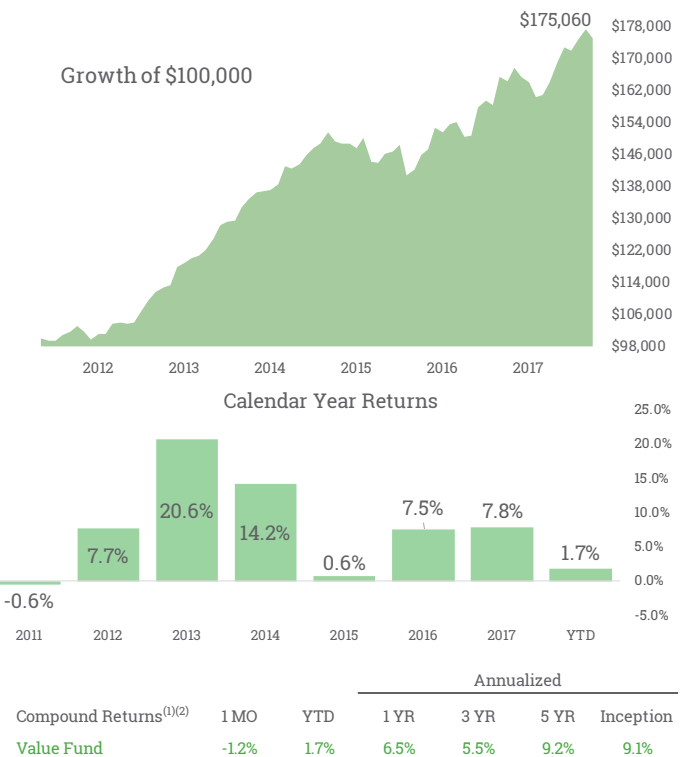
Investment Objective

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)



Portfolio Allocations

Asset Mix *

U.S. Equity	73.0%
Cash and Equivalents	18.2%
European Equity	7.6%
Canadian Equity	1.2%

Sector

Technology	21.4%
Cash & Equivalents	18.2%
Financial Services	17.6%
Insurance	15.5%
Consumer & Retail	9.9%
Healthcare & Pharma	5.4%
Energy	5.3%
Industrial	3.6%
Communication & Media	3.0%

* Based on corporate domicile.

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	0.35	0.45
Standard Deviation	6.0%	7.8%	9.6%
Sharpe Ratio	1.37	0.78	1.83
Best Month	4.7%	5.3%	6.9%
Worst Month	-5.1%	-6.1%	-5.5%
Percentage Positive Months	72.7%	63.6%	72.7%
Maximum Drawdown	-7.1%	-14.3%	-7.8%
CAGR Since Inception	9.1%	6.7%	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 March 31, 2018. ⁽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 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 any 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

"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

"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

"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.