



**Greenskeeper**  
ASSET MANAGEMENT

## Annual Meeting

June 13<sup>th</sup>, 2018

# AGENDA

GreensKeeper Overview

2017 Results / Portfolio Review

Frequently Asked Questions

Q&A

# LEGAL DISCLAIMER

GreensKeeper Asset Management Inc. is the investment manager to the GreensKeeper Value Fund (the "Value Fund"). Important information about the Value Fund, including its investment objective and strategies, applicable management fees, performance fees, and expenses is contained in its offering memorandum. The offering of units of the Value Fund is made pursuant to offering memorandum and only to those investors in jurisdictions of Canada who meet certain eligibility or minimum purchase requirements. Please read the offering memorandum carefully before investing. Commissions, trailing commissions, management fees, performance fees, other charges and expenses all may be associated with investing in the Value Fund. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. This communication does not constitute an offer to sell or solicitation to purchase securities of the Value Fund. The information contained herein does not constitute an offer or solicitation by anyone in the United States or in any other jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. Prospective investors who are not resident in Canada should contact their financial advisor to determine whether securities of the Value Fund may be lawfully sold in their jurisdiction.

# GREENSKeeper OVERVIEW



# VALUE INVESTING AT GREENSKeeper

Focused on **compounding** growth and the **preservation** of our client's capital

The right temperament – **disciplined, patient** investing style

**Trusted** – assets under management have grown steadily through referral

**Pay-for-performance** approach to fees

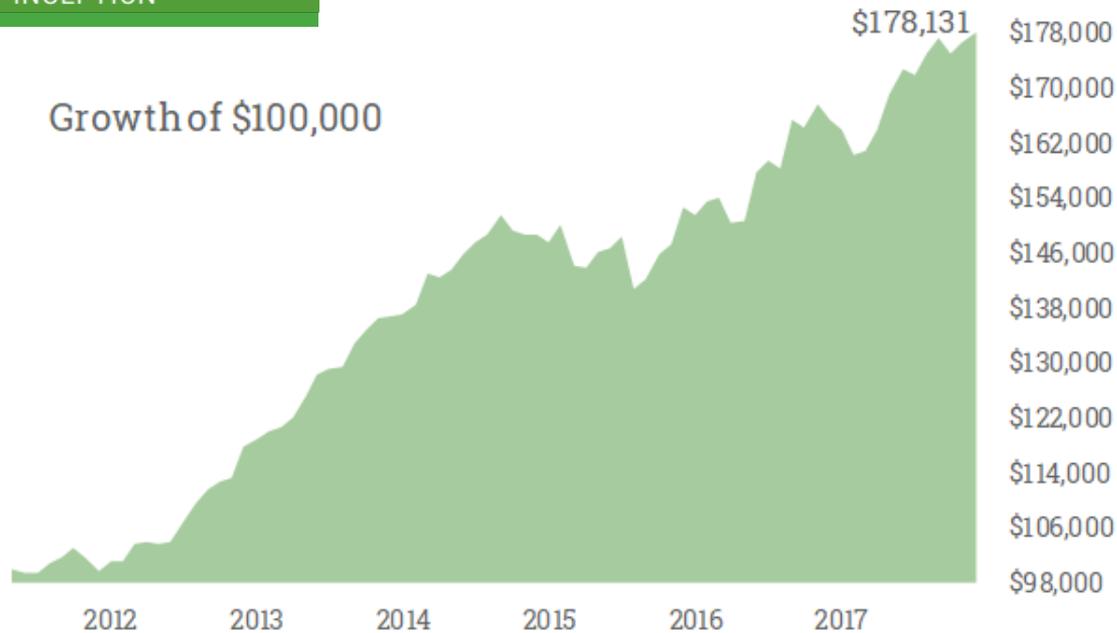


Our long-term objective at  
GreensKeeper is simple:

To make money for our clients  
while prudently managing risk

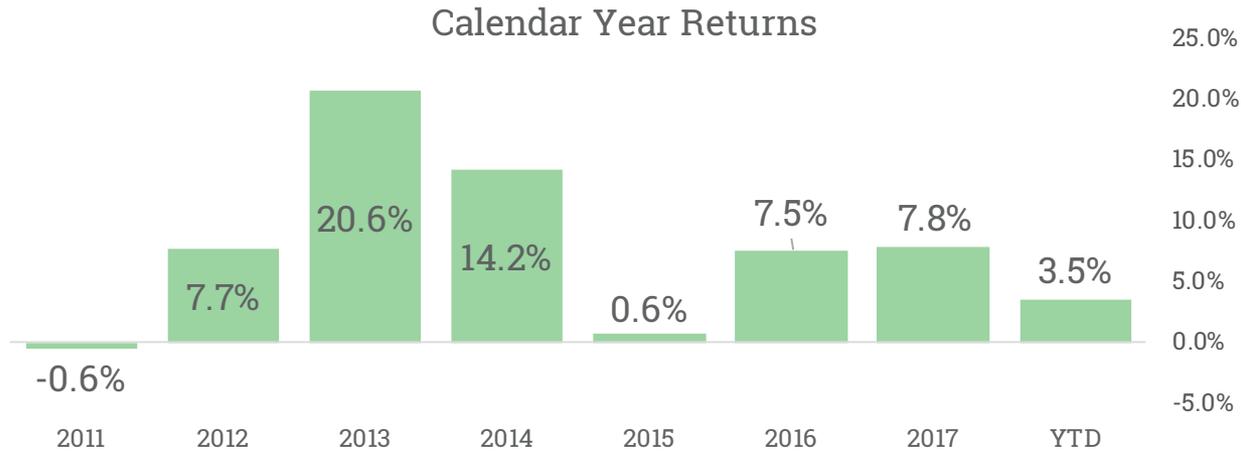
# TRACK RECORD

9.2%  
COMPOUND ANNUAL  
GROWTH RATE SINCE  
INCEPTION



All returns are as at May 31, 2018. 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. 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.

# TRACK RECORD



Compound Returns <sup>(1)(2)</sup>	Annualized					
	1 MO	YTD	1 YR	3 YR	5 YR	Inception
Value Fund	0.8%	3.5%	7.6%	6.2%	8.6%	9.2%

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# MARKET ENVIRONMENT

DJIA 25364.37 0.19% ▲ S&P 500 2788.52 0.34% ▲ Nasdaq 7671.69 0.34% ▲ U.S. 10 Yr -1/32 Yield 2.954% ▼ Crude Oil 66.25 0.78% ▲

## THE WALL STREET JOURNAL.

U.S. Edition | June 11, 2018 | Today's Paper | Video

Home World U.S. Politics Economy Business Tech **Markets** Opinion Life & Arts Real Estate WSJ Magazine

MARKETS

### Value Investors Face Existential Crisis After Long Market Rally

Shares of fast-growing companies such as Apple and Netflix find a spot in value portfolios. 'Our approach to value has evolved'



Most Popular Videos

1. The Smart Gadget Your Living Room Needs
2. Spying High: A Rare Trip in America's U-2 Spy Plane
3. This Surveillance Camera Can See You Sneeze at 4,000 Feet
4. Kim Jong Un: The Rise of a Dictator

- Amazon (AMZN) accounts for 45% of S&P500 gains YTD and trades at 136x P/E (267x trailing)

# MARKET ENVIRONMENT

- Bargains harder to find.

MONDAY, JUNE 11, 2018 | THE GLOBE AND MAIL . G

REPORT ON BUSINESS | 89

## GLOBE INVESTOR

### Is it time to ditch the Buffett approach?

The Berkshire CEO is a top financier, but his performance has faded recently – for different reasons, depending on whom you ask

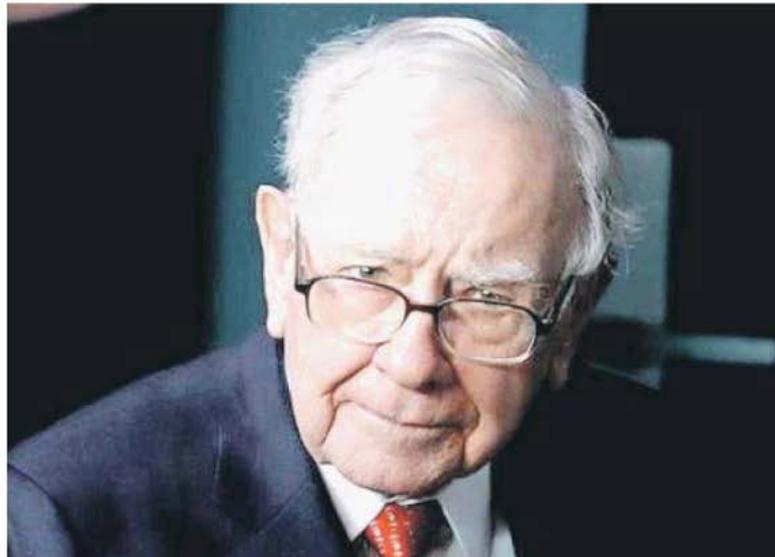
IAN MCGUGAN

 OPINION



We all know Warren Buffett is a great investor. Since he took control of Berkshire Hathaway Inc. in 1965, it has generated 10 times the return of the S&P 500 index.

What's not so well known, though, is how much Mr. Buffett's performance has faded in recent years. Since 1998, Berkshire has beaten the S&P 500's total return by only about a percentage point a year. Over the past 10 years, it



these holdings in the same manner as Berkshire has in the past. They found this mechanical portfolio would have produced much the same results as Mr. Buffett's stock picks did in reality.

The AQR findings don't detract from the brilliance of Mr. Buffett's original insight. However, they suggest other investors can do much the same thing. "If one had applied leverage to a portfolio of safe, high-quality, value stocks consistently over this time period, then one would have achieved a remarkable return, as did Buffett," the researchers write. "Of course, he started doing it half a century before we wrote this paper!"

One problem for Buffett followers today is that the financial industry is busily devising more and more ways to bet on the factors he favours. Any retail investor can buy exchange-traded values that automatically select stocks with low volatility, or value, or quality characteristics. All

# OUR RESPONSE

- Be patient, stay disciplined and wait for the fat pitch (buy cheap)!
- Own high quality companies
- Not afraid to hold some cash
- Down Capture (21/79 months of negative market performance):
  - S&P500(\$CAD) -32.4%
  - Value Fund -16.4%

# STILL SOME INTELLIGENT THINGS TO DO

BARRON'S

HOME REAL-TIME MAGAZINE ADVISOR CENTER DATA PENTA NEXT

VIEW FROM THE BUYSIDE

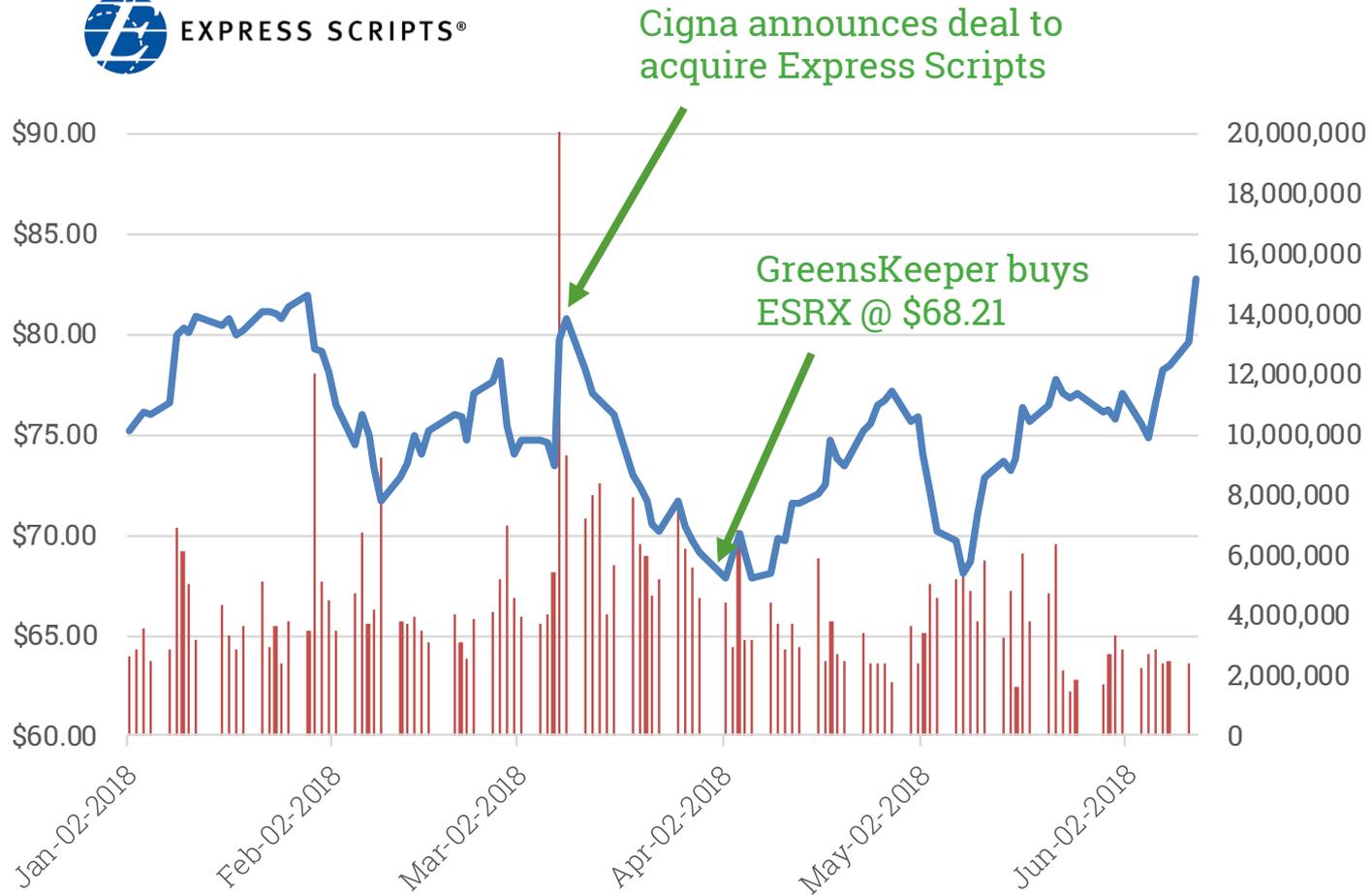
## Buyout Target Express Scripts Has 30%-Plus Upside

By Michael McCloskey, GreensKeeper Asset Management • April 3, 2018 3:06 p.m. ET



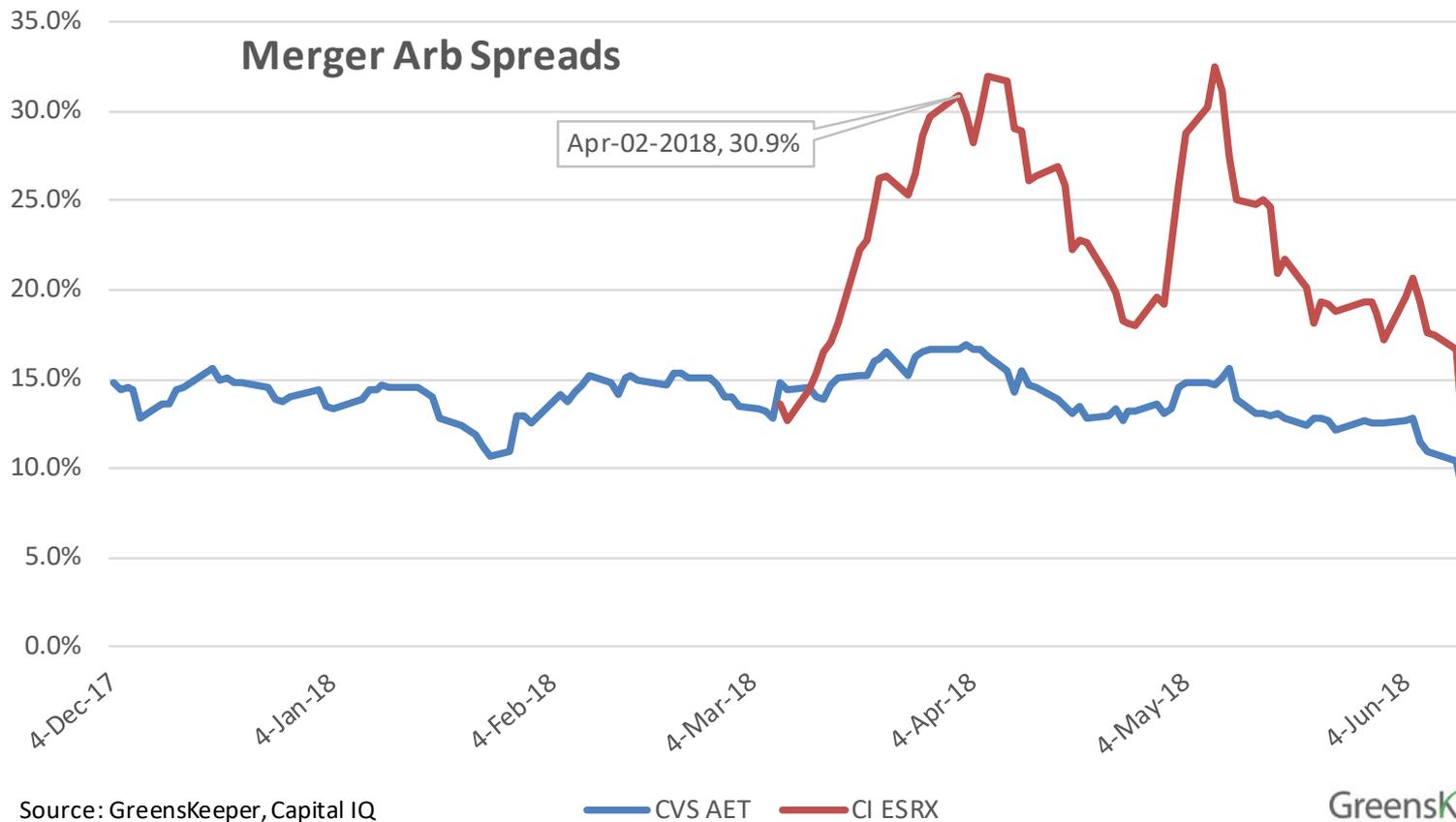
PHOTO: BLOOMBERG NEWS

# ESRX CASE STUDY



# ESRX CASE STUDY

- +21.3% return in 2.5 months, plus another 11.3% upside
- limited downside



# THE GREENSKEEPER STORY

Founder had two prior careers: successful Lawyer and Investment Banker

Third-party investment options unappealing

Started managing his own money

Passion for selecting stocks led Michael to create GreensKeeper for like-minded investors

70% of personal net worth and 100% of investible assets invested alongside our clients



# PORTFOLIO MANAGER

- Founded GreensKeeper (2010)
- Former Partner & Investment Banker with Cormark Securities (2002-2010)
- Former Partner & Lawyer (M&A, Corporate Finance) at Aird & Berlis LLP (1995-2002)



Michael McCloskey  
Founder, President &  
Chief Investment Officer  
B.Sc., JD, MBA, CIM, AR

## EDUCATION - PROFESSIONAL DESIGNATIONS:

Advising Representative, 2014

Associate Advising Representative, 2011

Canadian Investment Manager, 2009

Admitted to the Ontario Bar, 1997

J.D., Osgoode Hall Law School, 1995

M.B.A. (Honours), Schulich School of Business, York University, 1995

B.Sc. (Honours), Mathematics, University of Western Ontario, 1991

# ABOUT OUR NAME

Inspiration for naming our firm “GreensKeeper” came from an excellent description of value investing:

*“Value stocks are about as exciting as watching grass grow. But have you ever noticed just how much your grass grows in a week?”*

Christopher Browne  
Tweedy, Browne Company LLC

The capitalized “K” also serves as a constant reminder that we are stewards (Keepers) of our clients’ money (Greens).

# INVESTMENT PROCESS



# INVESTMENT CRITERIA

## SELECT “GREAT” BUSINESSES

- Easy to understand
- Attractive underlying economics
- Durable competitive advantages

## SOLID MANAGEMENT

- Shareholder-friendly management
- History of sound capital allocation
- Long-term track record of success

## MARGIN OF SAFETY

- Wait for our opportunity
- Buy stocks that are undervalued



# INVESTMENT STYLE



## PATIENCE

Buy stocks opportunistically

Long holding periods (compounding & reduced transaction fees)

## MINIMIZE RISK

Disciplined commitment to protect against permanent loss of capital

We avoid the use of leverage and aren't forced to sell in tough markets

## OUR BEST IDEAS

We manage a portfolio of our best ideas (~20 stocks)

# OUR OFFERING



# THE GREENSKEEPER VALUE FUND

<b>MINIMUM INITIAL INVESTMENT</b>	\$50,000 for Accredited Investors
<b>ELIGIBLE FOR REGISTERED PLANS</b>	RRSPs, TFSAs, RESPs, etc.
<b>INCEPTION DATE</b>	November 1, 2011
<b>TYPE OF FUND</b>	Long equity, Long-term capital appreciation
<b>VALUATIONS</b>	Monthly
<b>REDEMPTIONS</b>	Monthly on 30 days' notice
<b>MANAGEMENT EXPENSE RATIO (MER)</b>	1.8% (A series) 1.3% (F series) <1.8% (G series)
<b>PERFORMANCE FEE</b>	20% over 6% annual hurdle (net of fees and expenses)

## SERVICE PROVIDERS:

**INVESTMENT  
MANAGER**



**PRIME BROKER  
AND CUSTODIAN**



**AUDITOR**



# REPORTING TO CLIENTS

Monthly performance updates and commentary

Monthly account statements from our broker (NBIN Inc. - a subsidiary of National Bank)

Quarterly newsletter (the Scorecard)

Semi-annual financial statements – includes all Value Fund holdings

Annual audited (KPMG) financial statements – includes all Value Fund holdings

Annual Report from GreensKeeper

# 2017 RESULTS / PORTFOLIO REVIEW

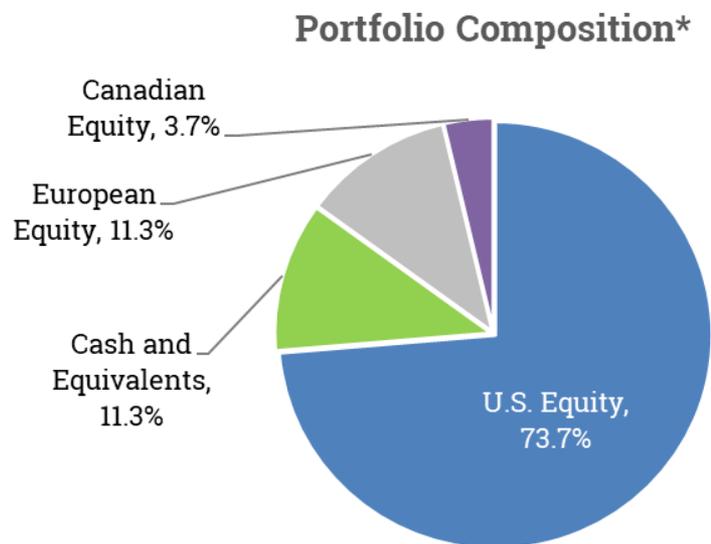


# Portfolio Snapshot (as at Dec. 31, 2017)

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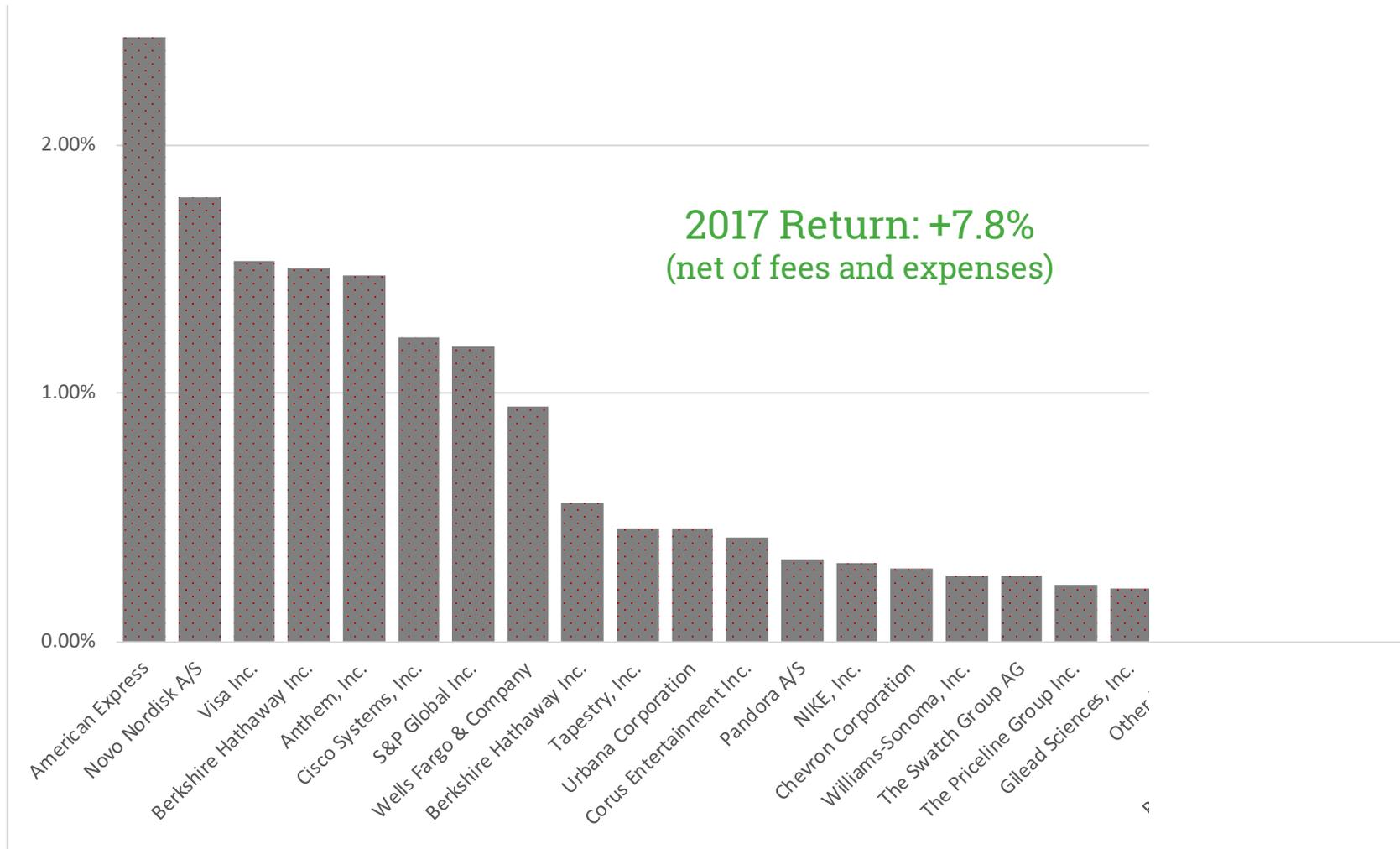
## Sector

Financial Services	21.5%
Technology	18.7%
Insurance	15.6%
Cash & Equivalents	11.3%
Healthcare & Pharma	10.7%
Consumer & Retail	10.6%
Energy	5.9%
Communication & Media	5.6%



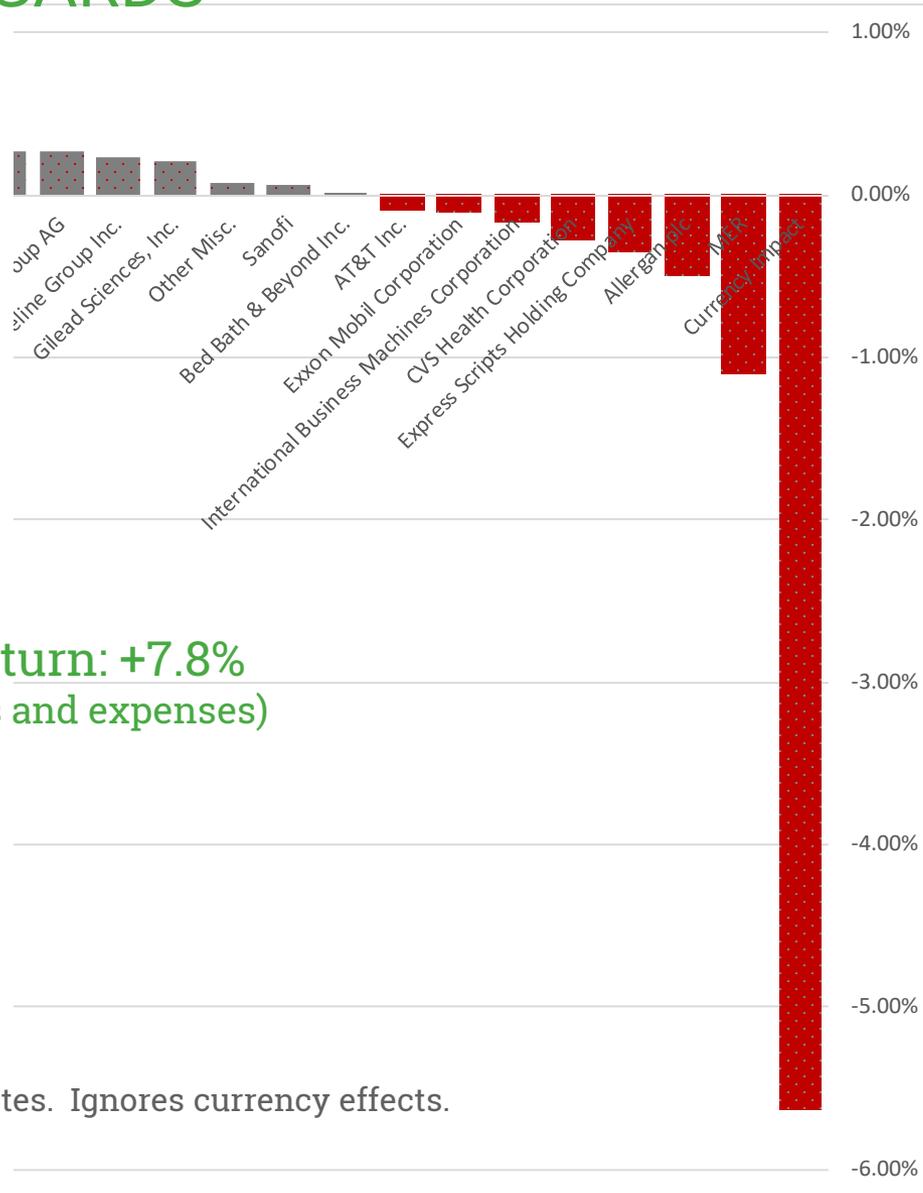
\* Based on corporate domicile.

# 2017 CONTRIBUTORS



GreensKeeper estimates. Ignores currency effects.

# 2017 LAGGARDS



**2017 Return: +7.8%**  
(net of fees and expenses)

GreensKeeper estimates. Ignores currency effects.

# FREQUENTLY ASKED QUESTIONS



# WHAT IS A MOAT?

A company's competitive advantage

Capitalism ensures high profits attract competition

Almost always drives high returns downward

Certain companies are resilient due to presence of a moat



# WHY DO MOATS MATTER?

Predictable earnings

Businesses usually have pricing power

High returns on capital = lots of Free Cash Flow

Growing earnings and dividends

Compounding (8<sup>th</sup> Wonder of the World)

**This is where we prefer to invest!**

# WHAT IS A STOCK WORTH?

Ask “how much cash do I get and when do I get it?”

*Source: Seeking Wisdom: From Darwin to Munger*

Key factors:

- Predictability (Moats)
- Time Value of Money
- Leverage (Risk)
- Free Cash Flow

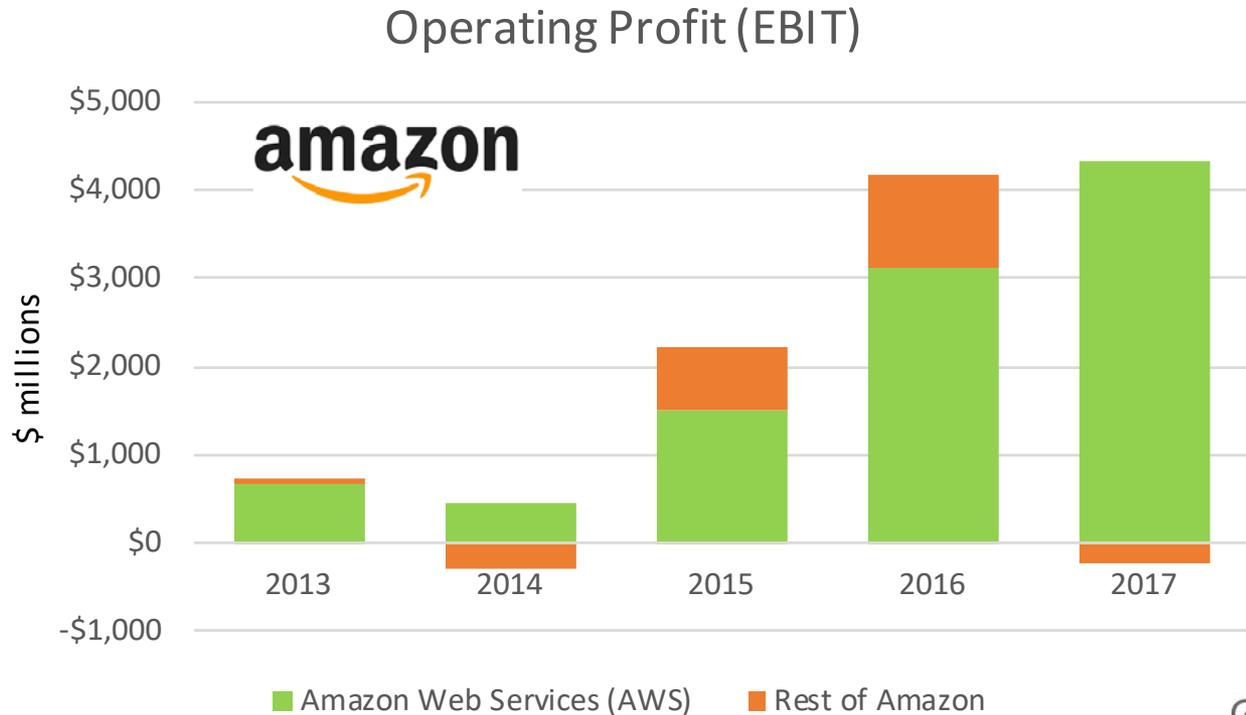
# WHAT DO YOU THINK OF AMAZON?

- As a consumer – an amazing business
- As an investor – ecommerce tailwinds will drive revenue growth



# WHAT DO YOU THINK OF AMAZON?

- But the retail business does not make any real money at present
- Self financing due to success of AWS



# WHAT DO YOU THINK OF AMAZON?

## Great Business?

- AWS certainly is
- Retail business – not sure of sustainable long-term margins

## Shareholder Friendly Management?

- We like Jeff Bezos' long-term mindset
- Not sure yet about capital allocation

## Margin of Safety?

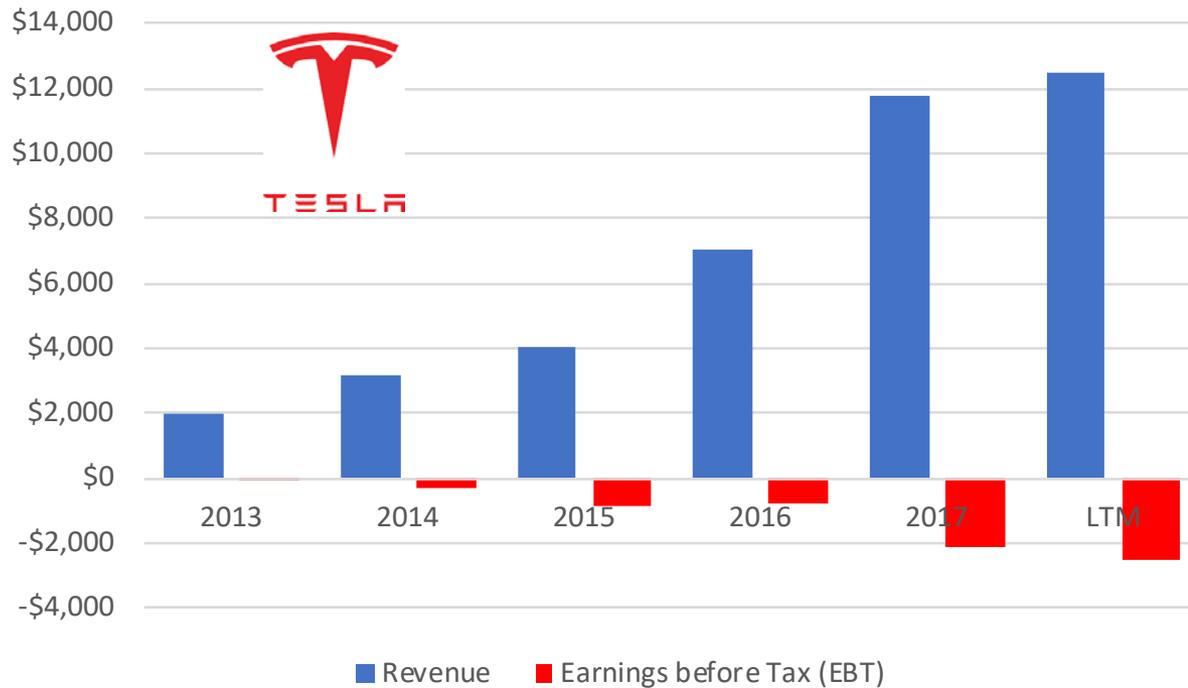
- At a 136x P/E (267x trailing) and \$817 billion market cap, we will pass

# WHAT DO YOU THINK OF TESLA?

- As a consumer – an amazing product.
- Elon Musk is changing the world!
- As an investor: no thank you.



# WHAT DO YOU THINK OF TESLA?



- \$54 billion market cap and company is burning cash and has debt.
- Business model not yet proven (15 years of losses).
- Dilution coming.

# BITCOIN?/CRYPTOCURRENCIES?

- Underpinning blockchain is an interesting technology
- But the only legitimate reason to own a cryptocurrency is to sell it higher to someone else
  - Greater fool theory
  - Asset can't be rationally analyzed/valued
- Speculative assets attract capital, aggressive promoters and then fraudsters

# REALLY?



## CryptoKitties

Collectible.  
Breedable.  
Adorable.

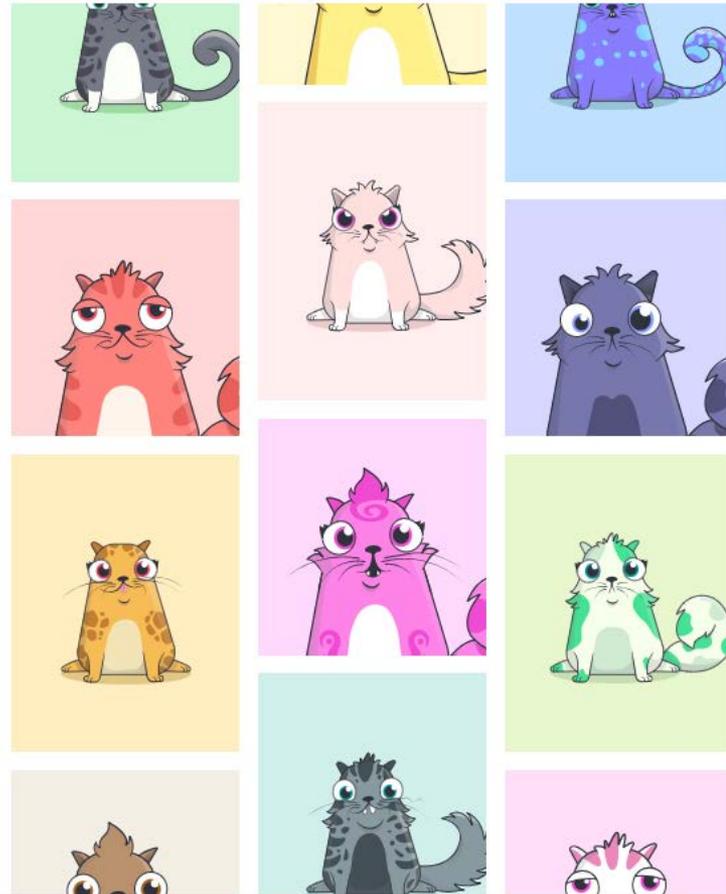
Collect and breed digital cats.

Start meow

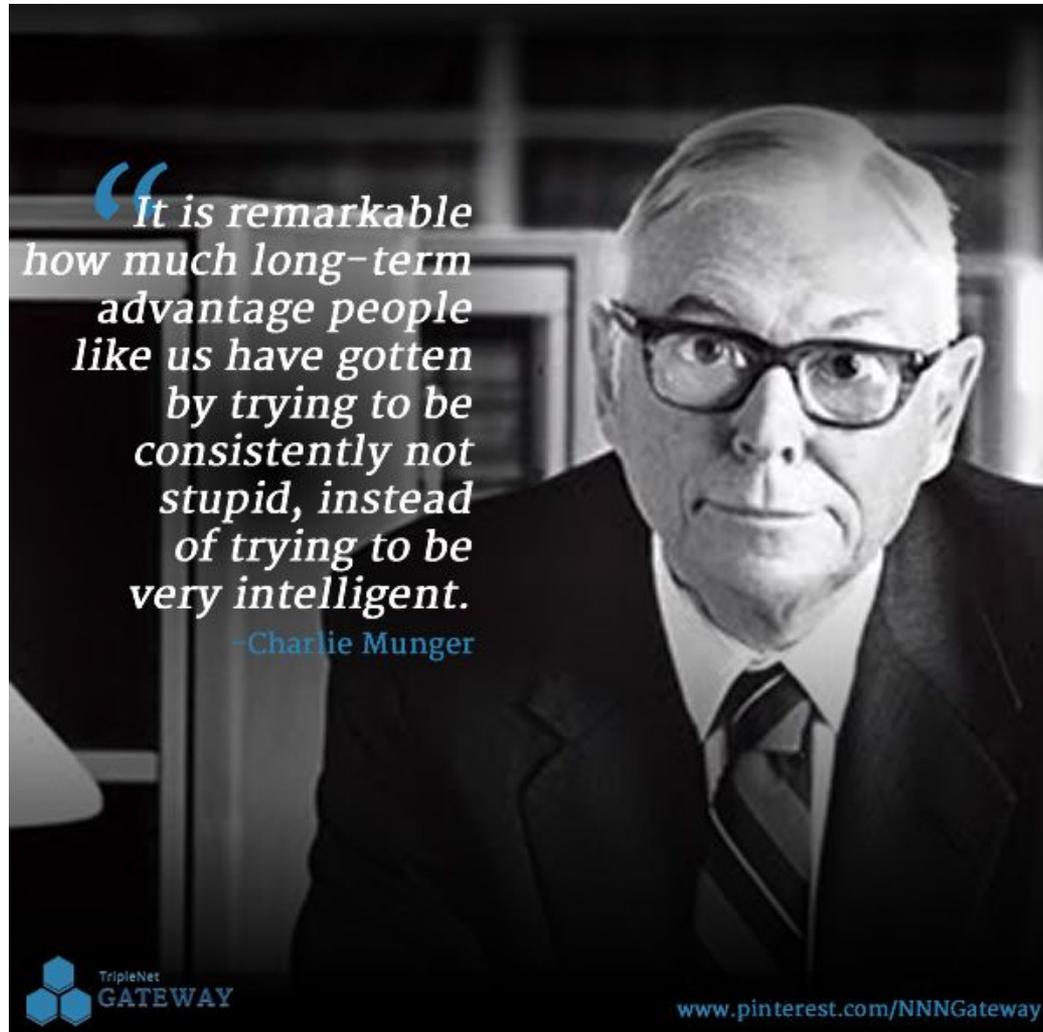
- >\$15.5MM sold as of Dec. 2017
- Some sold for > \$100K

Source: *Globe & Mail*

Start Meow Marketplace



# AVOID STUPIDITY



QUESTIONS?