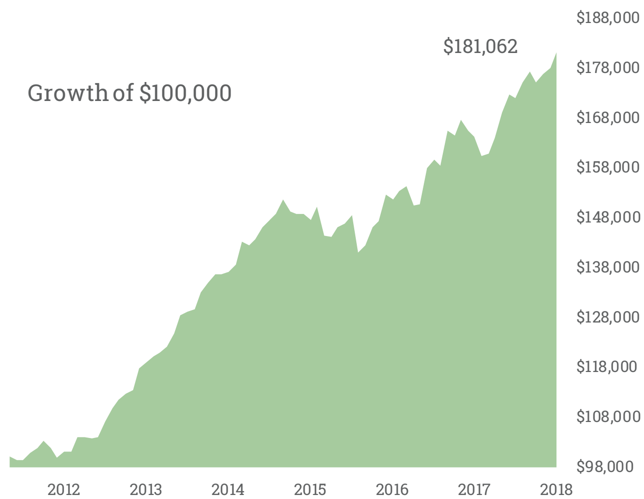
GreensKeeper ASSET MANAGEMENT INC.

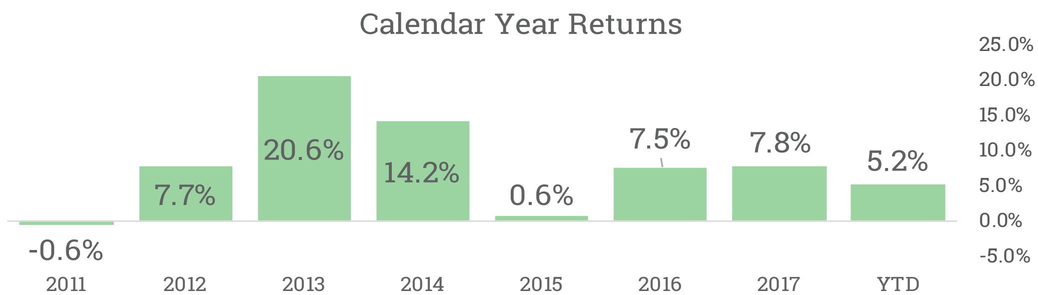
The Scorecard

Issue #22 - July 2018

Index Surgery

The Value Fund gained +5.2% (net of fees) for the six-months ended June 30, 2018. During this period the S&P/TSX Total Return Index gained +1.9% and the S&P500 gained +2.6% including dividends (+7.4% measured in Canadian dollars – the Value Fund's reporting currency).





Notes: All returns and Value Fund details are as of June 30, 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.

Currency movements that lowered our returns in both 2016 and 2017 reversed and have helped us so far in 2018. At times these movements will make us look brilliant and at other times foolish. Our view is that neither description is deserved. Currencies generally move within broad ranges and short-term movements are largely noise. We purposely accept this volatility in exchange for forgoing the hedging costs along the way. Our currency strategy remains unchanged and has been written about at length.

Recent Annual Meeting

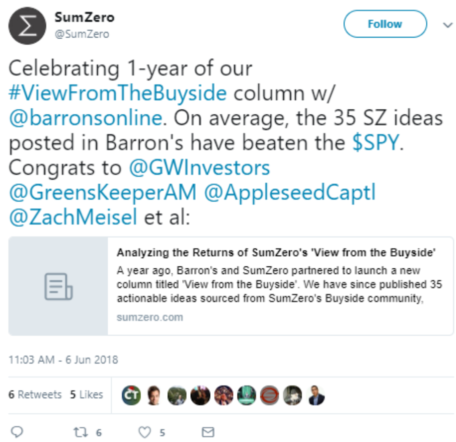
Thank you to the 40 people that attended our Annual Meeting on June 13. For those who weren't able to join us, a copy of the presentation along with a video recording of the event is now available on our website.

Portfolio Review

At mid-year, 97% of the portfolio was invested in 22 common stocks (1% Canadian and 96% foreign) and 3% was invested in cash and equivalents.

Our top three contributors year-to-date were all technology stocks: online travel agent **Booking Holdings** (Nasdaq:BKNG) +16.7%, credit card network **Visa** (NYSE:V) +16.2% and industry stalwart **Cisco Systems** (Nasdaq:CSCO) +12.3%.

Our large bet (6.8% weighting) on **Express Scripts** (Nasdaq:ESRX) is performing according to plan with the stock up +16.4% since we purchased it in April. Our recent writeup of our investment thesis for Express Scripts can be found in **Scorecard #21**. Our idea was published in Barron's and was recently ranked as one of the best performing ideas from the View From The Buyside column. In an expensive market, good ideas are hard to find. But they are out there. It just takes a lot of effort to uncover them. We remain bullish on our investment in ESRX as we continue to believe that the announced merger with **Cigna** (NYSE:CI) will receive regulatory and shareholder approvals and eventually close. Consequently, we expect the stock to gradually move towards the $92.00 deal price (vs. $79.45 today).



Our biggest performance detractors for the first half of the year were diabetes care leader **Novo Nordisk A/S** (NYSE:NVO) -14.1% and telecom giant **AT&T** (NYSE:T) -17.4%. Novo Nordisk remains well positioned to benefit from the growing number of people worldwide that are afflicted with the disease. Diabetes is truly a global pandemic. We are sitting on a decent gain on our investment and view the recent pullback as temporary. The future for AT&T is less certain. We inherited the stock as part of the consideration received on the takeover of our prior investment in **DirecTV** (we took some cash on the deal as well). The media and telecom landscape continues to change rapidly and AT&T is trying to adapt as evidenced by their recent acquisition of Time Warner. We like the 6.1% dividend yield but their balance sheet and industry shifts both make us cautious. We are closely monitoring the company's progress.

During the first half of 2018 we also initiated a few new positions including **Alphabet** (Nasdaq:GOOG) - also known as Google. Their dominance in search (>90% market share) is unlikely to be disrupted despite regulatory attempts to punish the company for abusing its market power. When people use the Google search engine, the company has a window into what is on our minds at that precise moment in time. That is a very valuable asset and advertisers are willing to pay to get in front of us at these critical moments. Google's AdWords is the gatekeeper and the company should continue to monetize its search traffic at high margins for years to come. The company's "Other Bets" like self-driving cars (Waymo) are less certain but we aren't counting on them as part of our valuation for the company. If they do pan out it's gravy. That said, we wouldn't bet against the company when it comes to innovation. Google has a winning culture underpinned by its top-notch engineering talent and its reliance on data-driven decision making. For those interested in learning more about the company, we recommend the book *How Google Works* written by former CEO Eric Schmidt and former SVP Products Jonathan Rosenberg.

Finally, during the first half of 2018 we fully exited our positions in **Allergan** (NYSE:AGN), **Corus Entertainment** (TSX:CJR.B), **Gilead Sciences** (Nasdaq:GILD), **Pandora A/S** (CPSE:PNDORA) and **Swatch Group** (SWX:UHR).

We finished the period with unrealized gains on our equity investments of approximately $5.8 million. The Value Fund is well positioned as the companies that we own are of high quality and should continue to increase their intrinsic value over time. A snapshot of the entire portfolio at June 30, 2018 can be found on the Schedule of Investment Portfolio on page 5 of the Financial Statements provided to GreensKeeper clients in our 2018 Half-Year Report.

Index Surgery

We have previously mentioned in passing a few of the shortcomings of the major stock market indexes but some recent market events justify dissecting them further.

Going back to first principles, the first stock market index was introduced in 1896 by Charles H. Dow as a barometer of how the equity markets were performing. Mr. Dow's eponymous index is still in existence today, however its small number of constituent stocks (30) and calculation based on price weighing[1] vs. market capitalization make the Dow Jones Industrial Average (DJIA) a less-reliable gauge of how the broader markets are faring.

A more widely followed index is the S&P500 whose constituents comprise the 500 largest companies listed on the major US stock markets as measured by market capitalization. While this is arguably a better measuring stick for the US equity markets than the DJIA, the S&P500 Index has its own shortcomings.

For example, as a company's shares rise in price and the valuation becomes more expensive, its weighting in the S&P500 Index increases. Index investors end up owning more and more of expensive companies and less and less of cheaper ones. **Amazon** (Nasdaq:AMZN) alone accounted for 33.4% of the S&P500's gains through June 30, 2018 (see table below). As we previously wrote in the *Globe and Mail*, while Amazon is a gift to consumers, we have no interest in owning the stock at its current valuation. We are of the same opinion for another top index contributor and market darling: **Salesforce.com** (NYSE:CRM). With the company trading at a valuation of 65x forward earnings (232x trailing), we just don't get it and will take a pass. Best to leave pricey stocks like this to others who think that we are missing something.

S&P 500 Total Return Index

Top Contributions YTD (to June 30, 2018)

COMPANY	Index Contribution	Total Return
Amazon.com Inc	**33.41%**	45.35%
Microsoft Corp	**17.79%**	16.31%
Apple Inc	**17.15%**	10.25%
NetFlix Inc	**13.73%**	103.91%
Mastercard Inc 'A'	**6.94%**	30.23%
Facebook Inc Cl'A'	**6.91%**	10.12%
Visa Inc'A'	**5.64%**	16.55%
Adobe Systems	**5.60%**	39.13%
Cisco Systems	**4.45%**	14.09%
NVIDIA Corp	**4.39%**	22.58%
UnitedHealth Group	**4.30%**	12.05%
Boeing Co	**4.10%**	14.93%
salesforce.com inc	**3.87%**	33.42%
NIKE, Inc'B'	**3.75%**	28.12%
Alphabet Inc'A'	**3.58%**	7.19%

Stocks owned in the Value Fund

Source: S&P Dow Jones Indices

Having a growing portion of your portfolio invested in expensive stocks is the exact opposite of what we would argue is our more rational value investing approach. As stocks decline in price, they actually become more attractive (and less risky). Overvalued companies can also sell off quickly when market sentiment changes. For example, **Facebook** (NYSE:FB) issued results last week that were below expectations and the stock sold off (17.2%) in one day. Given the company's size - and hence large index weighting - it accounted for almost all (86%) of the S&P500 Index's decline for the day.

(1) Price-weighted indices like the Dow Jones Industrial Average (DJIA) are calculated such that higher-priced stocks have a greater index weighting than lower-priced ones, even if the lower-priced stock is in a company with a market capitalization that is larger than the higher-priced stock.

Markets have been rising for some time so passive index investors tend to become complacent and forget about the risks that they are taking. As we wrote in Scorecard #19:

> *"… 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."*

GreensKeeper's view on Cryptocurrencies:

"Speculative assets like Bitcoin attract capital, aggressive promoters and then fraudsters. We prefer to simply stay away."

Annual Meeting
June 13, 2018

The foregoing observations should not be taken to mean that market indices aren't useful to investors. Index levels and their movements are useful barometers of broader market conditions. Our main point is that investors need to dig beneath the headline numbers to understand what is really going on before reading too much into them. Which leads us to one final observation about indexes.

The massive fund flows into passive index investments strike us as herding behavior that has yet to be tested by a market panic. Markets occasionally do extraordinary and unexpected things on short notice and we humans are emotional creatures after all. Panic selling of stocks will likely induce index redemptions which will in turn force certain index funds to sell stocks in order to fund them thereby creating a negative feedback loop. We have no desire to be market Cassandras, but this setup vaguely reminds us of the portfolio insurance phenomenon of the 1980s that played a role in the 1987 market crash. We think that the next major market correction, whenever it comes, will deliver a few unpleasant surprises to passive index investors. Caveat emptor.

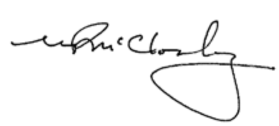
A Different Approach

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 our investments. We walk our talk at GreensKeeper and believe in aligning interests which is why I have over 70% of my family's net worth and 100% of our investible assets invested directly alongside GreensKeeper's clients. 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.

July 30, 2018



Michael McCloskey
President & Founder

GreensKeeper
ASSET MANAGEMENT INC.

GreensKeeper Value Fund

As at June 30, 2018

Fund Details

	Class A	Class F*	Class G**
Fund Codes	Pending	Pending	Pending
NAV	$15.64	$15.76	$11.98
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, 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)

	Dec. 31	($/unit)
Fund Distributions (Class A)	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.

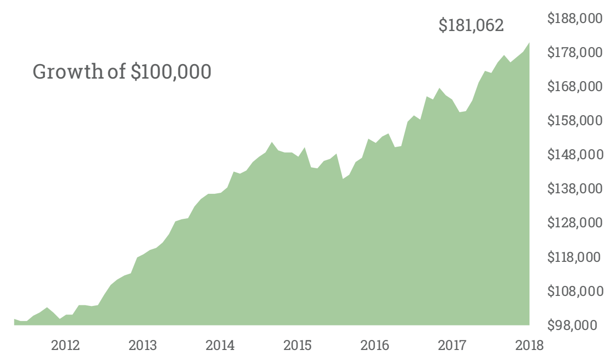
Investment Objective

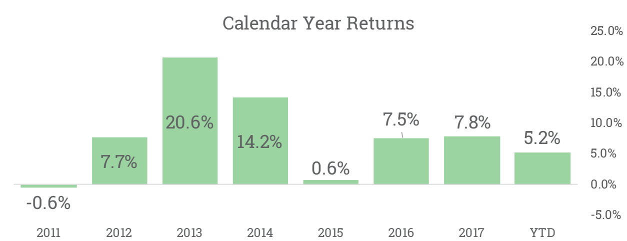
To deliver absolute returns to unitholders (net of all fees) in excess of both the S&P/TSX Index and the S&P500 Index (measured in Canadian dollars) over the long term. The Fund seeks to accomplish its set objective through investments in a concentrated portfolio, primarily in equities from any sector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





			Annualized			
Compound Returns[(1)(2)]	1 MO	YTD	1 YR	3 YR	5 YR	Inception
Value Fund	1.6%	5.2%	10.3%	7.1%	8.8%	9.3%

Portfolio Allocations

Asset Mix *	
U.S. Equity	84.2%
European Equity	7.4%
Cash and Equivalents	7.3%
Canadian Equity	1.1%

* Based on corporate domicile.

Sector	
Technology	23.2%
Financial Services	18.8%
Insurance	15.9%
Healthcare & Pharma	11.8%
Consumer & Retail	10.7%
Cash & Equivalents	7.3%
Energy	6.0%
Industrial	3.7%
Communication & Media	2.8%

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	0.34	0.44
Standard Deviation	5.9%	7.8%	9.5%
Sharpe Ratio	1.42	0.87	1.87
Best Month	4.7%	5.3%	6.9%
Worst Month	-5.1%	-6.1%	-5.5%
Percentage Positive Months	73.8%	65.0%	73.8%
Maximum Drawdown	-7.1%	-14.3%	-7.8%
CAGR Since Inception	9.3%	7.5%	19.6%

Investment Philosophy

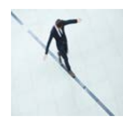
We follow a time-tested value investing process and conduct bottom-up fundamental research to identify attractive and underpriced equity investments for the portfolio. GreensKeeper believes in buying an interest in a quality business for less than its true worth or *intrinsic value*. That discount provides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