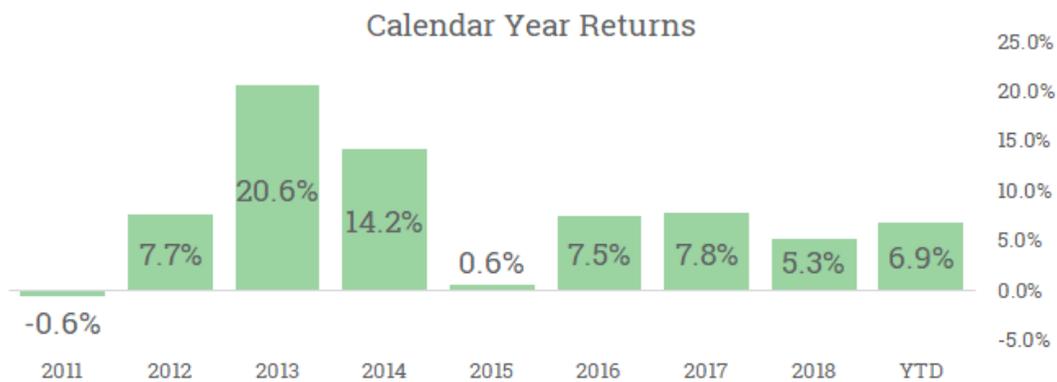


## Booking.yeah

The Value Fund returned +6.9% in Q1 2019 net of fees and expenses (or approximately +7.9% gross). Currency movements lowered our returns in Q1 by just over 2% as we hold a large portion of the portfolio in U.S. dollar-denominated stocks whereas our reporting currency is the Canadian dollar.

Our top performing stocks for Q1 were **Facebook** +27.2% (Nasdaq:FB), **American Express** +14.7% (NYSE:AXP), **Apple** +20.4% (Nasdaq:AAPL) and **Visa** +18.4% (NYSE:V). Given the strength of the overall market, we only had two stocks that were down for the quarter: **Berkshire Hathaway** -1.6% (NYSE:BRK.A/B) and **Tapestry** -3.7% (NYSE:TPR).

Our Q1 returns were attractive on an absolute basis. However, we lagged our benchmarks for the quarter (having beat them in 2018). Markets have been buoyant and we remain mindful of risk given market valuation levels. We tend to really shine when markets are ugly. Which is a good segue into a discussion of where we are in the market cycle.



## Mastering the Market Cycle

I recently read [Mastering the Market Cycle](#) by legendary value investor Howard Marks of Oaktree Capital. Having read his investment memos over the years, I know that Mr. Marks is a deep thinker and generously shares his useful insights on the financial markets.

In the book, he analyzes the economic cycle, cycles impacting stock, real estate and credit markets and investor psychology. He also offers advice on how best to position investments in response to these cycles.

What was most interesting from my perspective is that Oaktree, like GreensKeeper, is not a market timer. Mr. Marks shares our view that being able to gain an edge by consistently timing market cycles cannot be done. However, this doesn't mean that market cycles can or should be ignored.

The nuance is that by keeping your eyes open, one can get a sense of the relative valuation of assets, where investors are on the greed-versus-fear continuum and overall risk levels.

For example, the current economic expansion that began in 2009 is getting very long in the tooth. Unless you believe that recessions are a thing of the past—a view that we do not share—we are likely to encounter a recession in the coming years. The economic cycle will eventually turn – we just don't know exactly when. But the point is that we don't need to. We just need to be approximately right and ensure that our portfolio and the companies that we own are positioned to weather that future storm when it arrives.

Looking at another cycle, the stock market has been practically straight up for the past decade. As bull markets age, companies of lesser quality often come to market at rich valuations. I have been investing long enough to remember the dot-com mania leading up to the year 2000 and how badly it ended. In that era, an exciting business plan and not much more was a golden ticket to a multi-billion-dollar IPO valuation.

Looking at the current generation of tech companies that are now coming to market in droves, we would concede that they generally have more established businesses than the prior generation. For example, ride sharing services Uber and **Lyft** (Nasdaq:LYFT) actually provide a useful service and an improved user experience compared with traditional taxis. As a consumer, I am a user and a fan.

That said, Uber's and Lyft's business models and paths to profitability are suspect. The market environments of 2000 and today may not be identical. But as Mark Twain was reported to have said: history doesn't repeat itself but it often rhymes.

Lyft completed its IPO last month and the oversubscribed offering valued the company at \$72 per share giving Lyft a valuation of more than \$20 billion. Yes the company's revenues are growing quickly, but so are its expenses. Last year the company *lost \$911 million* on revenues of \$2.2 billion. Analysts estimate that the company will not be profitable at any time over the next four years. It doesn't surprise us that despite an initial pop, the stock has now sold off close to 20% just weeks later.

When we step back and take a look around at the current market environment, what do we see? We see many other unprofitable companies coming to market at nosebleed valuations.<sup>(1)</sup> We see insider selling. We see unprofitable Canadian marijuana companies trading at ridiculous levels of revenue. Tilray (Nasdaq:TLRY) is down over 50% from [our bearish call of six-months ago](#). It is still wildly overvalued.

The current market environment strikes us as one where people have let down their guard and forgotten about risk (and history). It is never a good idea to forget about risk, especially for investors. When markets are frothy, it becomes even more important as risks are heightened and severe reversals can lead to painful consequences. We are always mindful of risk but especially so when others are not.

We are prepared to put capital to work in any market environment provided that the specific opportunity is paying us appropriately for the risk assumed. In the current market environment, those opportunities are few and far between. But we keep turning over rocks, monitoring companies that we would own at a certain price and remaining patient. If we don't find something intelligent to do today, we will simply bide our time.

"The two most powerful warriors are patience and time."  
Leo Tolstoy

<sup>(1)</sup> Lyft Leading Wave of Startups That Will Make Debuts With Giant Losses: *The Wall Street Journal* – March 25, 2019.

**Booking Holdings**

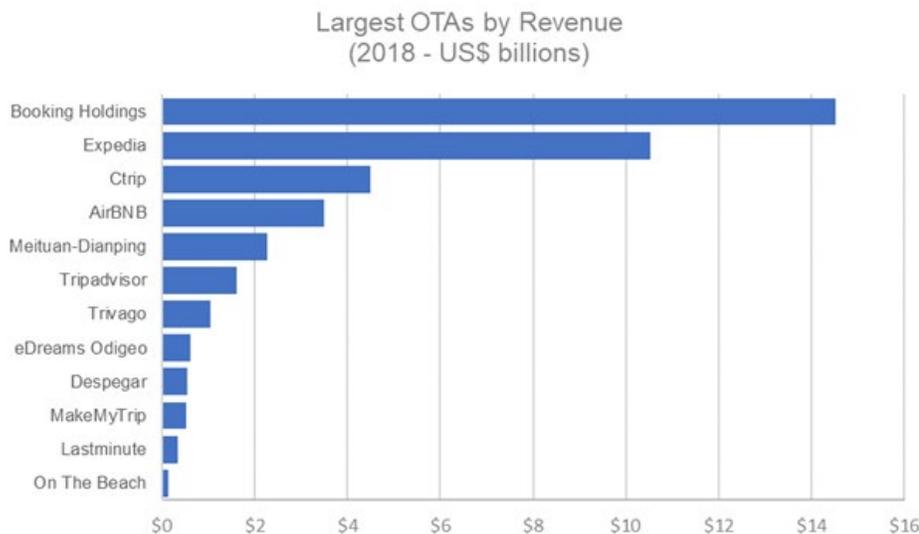
We made our initial investment in **Booking Holdings** (Nasdaq:BKNG) in late 2017 and recently added to our position. While we have previously disclosed that we owned the stock, we have not discussed its business in any detail. Here is a snapshot of our investment thesis.

Booking Holdings Inc. (“Booking Holdings” or the “Company”) is the largest online travel agency (OTA) in the world by hotel rooms booked and revenue. The Company was formerly known as Priceline Group and renamed in 2018 to better reflect its dominant brand and its growing booking platforms in new market verticals.

The Company operates in more than 220 countries and territories through six primary brands: Booking.com, KAYAK, Priceline, Agoda, Rentalcars.com and OpenTable. Collectively, Booking Holdings operates in more than 40 languages across Europe, North America, South America, the Asia-Pacific region, the Middle East and Africa. The Company is headquartered in the United States, but generates 89% of its revenues internationally with Europe being its largest market.

We acquired our initial position in Booking Holdings in Q4 2017. In February 2019 the Company reported its 2018 year-end results that beat both their guidance and consensus. However, the Company’s Q1 2019 guidance was lower than expected due to slowing bookings in Europe—by far its largest market—caused by a slowing economy and Brexit. With the stock selling off over 10% we updated our models and increased our position.





Source: Company filings, CapitalIQ, GreensKeeper estimates

At the current stock price of \$1,844, the stock is trading at a below-market multiple for an above-average company in terms of quality and future growth prospects. Organic growth combined with significant share repurchases should result in intrinsic value compounding at double-digit rates for years to come.

We will stop our discussion there as we prefer to keep our quarterly Scorecards to a reader-friendly length. For those interested in a deeper dive into the Company, please refer to our [in-depth report](#) on Booking Holdings.

### 2018 Annual Meeting

GreensKeeper's 8th Annual Meeting will be held on Monday, June 17 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, please join us! The meeting is open to clients, potential clients, friends and family. After a brief presentation, we open up the floor to Q&A so please bring some tough investment questions with you.

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

Michael P. McCloskey  
President, Founder &  
Chief Investment Officer

**GreensKeeper Value Fund**

As at March 31, 2019

**Fund Details**

	Class A	Class F*	Class G**
Fund Codes	Pending	Pending	Pending
NAV	\$16.11	\$16.33	\$12.68
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	
	2014	\$0.6542	
Fund Distributions (Class A)	2015	\$0.2939	
	2016	\$0.5416	
	2017	\$0.0000	
	2018	\$0.5752	

**Service Providers**

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

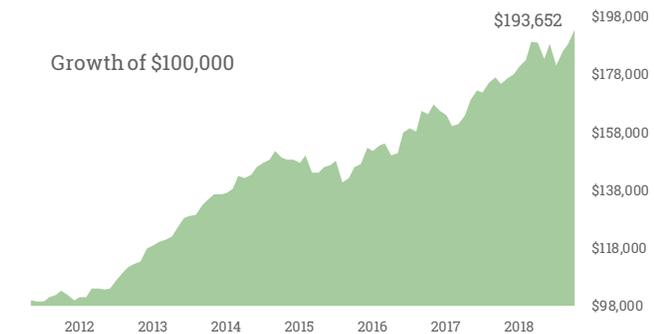
**Investment Objective**

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 <sup>(1)(2)</sup>	Annualized					
	1 MO	YTD	1 YR	3 YR	5 YR	Inception
Value Fund	2.7%	6.9%	10.6%	9.9%	7.5%	9.3%

**Portfolio Allocations**

Asset Mix *		Sector	
U.S. Equity	83.8%	Technology	33.8%
European Equity	8.1%	Financial Services	17.9%
Cash and Equivalents	7.3%	Insurance	14.4%
Canadian Equity	0.8%	Healthcare & Pharma	9.3%
U.S. Options	0.0%	Cash & Equivalents	7.3%
		Consumer & Retail	6.7%
		Industrial	5.3%
		Energy	2.8%
		Communication & Media	2.5%
		Other	0.0%

\* 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 <sup>(3)</sup>

	Value Fund	S&P/TSX	S&P500 (\$CAD)
Fund Beta vs. Selected Index	n/a	0.39	0.46
Standard Deviation	6.2%	8.1%	9.9%
Sharpe Ratio	1.35	0.55	1.52
Best Month	4.7%	5.3%	6.9%
Worst Month	-5.1%	-6.3%	-6.6%
Percentage Positive Months	73.0%	60.7%	69.7%
Maximum Drawdown	-7.1%	-14.3%	-9.0%
CAGR Since Inception	9.3%	5.1%	17.0%

### 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

<sup>(1)</sup> All returns are as at March 31, 2019. <sup>(2)</sup> 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. <sup>(3)</sup> 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

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### 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

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### 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.