

Fundserv Launch

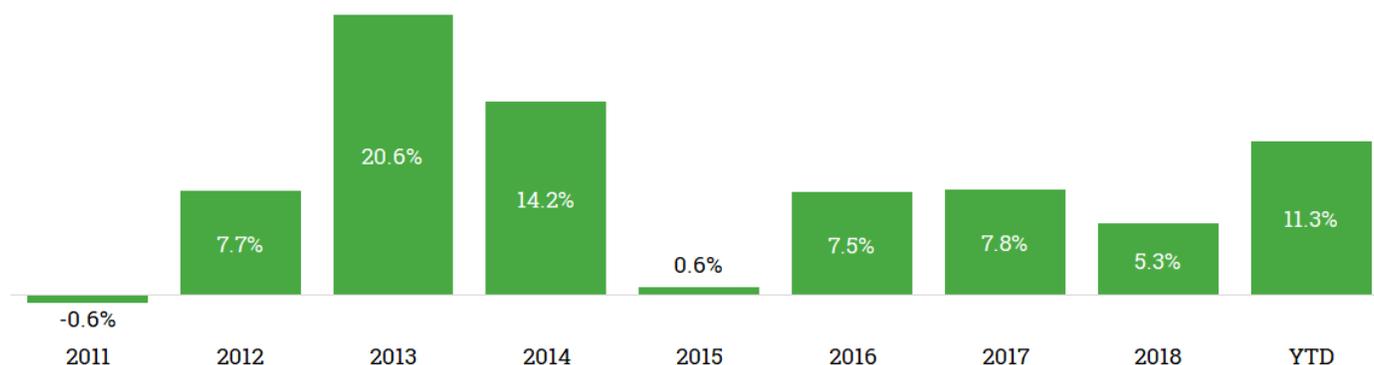
Market Commentary

For the third quarter the Value Fund returned +2.0% net of fees and is up +11.3% year-to-date. The [weakening US dollar](#) has lowered our returns by -3.0% year-to-date.

Equity markets have rebounded strongly since the Q4 2018 selloff and are approaching all-time highs. The U.S. economy has expanded for over 10 straight years since the Great Recession. This is now the longest economic expansion in U.S. history. We suspect that a recession will materialize at some point in the next few years. But to be clear, we have no idea exactly when or what the trigger will be. In fact we believe that these things cannot be reliably predicted by *anyone*.

Instead of wasting out time trying to be modern-day Nostramuses, we simply assume that we are late cycle and factor that into our analysis when valuing companies. Future earnings may become challenged (for cyclicals in particular) and this is a time to be especially vigilant when it comes to balance sheets. Many highly-indebted companies are able to service their debt burdens at present, but that may not always be the case.

GreensKeeper Value Fund
Calendar Year Returns



Portfolio Commentary

We meaningfully increased our exposure to the U.S. health insurers by adding to our position in **Anthem** (ANTM) and initiating a new position in **UnitedHealth Group** (UNH). Democratic presidential candidates Elizabeth Warren and Bernie Sanders are touting “Medicare for All” and propose an outright ban of private health insurers. The heated rhetoric on the campaign trail led to a sector selloff which we took full advantage of. Our view is that the prospects of Medicare for All actually coming to pass are *extremely* low given the price tag (likely >\$40 trillion), political opposition and the challenge of securing enough votes to enact the requisite legislation which would upend a major segment of the American economy.

UnitedHealth and Anthem are the two largest publicly-traded health insurers in the U.S. The health insurance market is best described as a natural oligopoly given the scale advantages required to succeed. Both companies have some pricing power and their businesses are “capital light” meaning that they have few fixed assets needed to operate. This powerful combination allows Anthem and UnitedHealth to earn attractive returns on capital and generate buckets of free cash flow. Both companies recently reported solid quarterly results and we remain long-term bullish on the sector.

While we are typically not very active with the portfolio, in Q3 we fully exited five positions. Two (**Coca-Cola European Partners** (CCEP), **McKesson** (MCK)) reached our target prices and we decided to take profits. Two (**Sanofi** (SNY) and **Tapestry** (TPR)) were smaller positions and we lacked the conviction to make them meaningful holdings given the current environment. The final stock (**AT&T** (T)) remains cheap but has a balance sheet that gives us heartburn. Given the economic backdrop discussed above, we believe there are better places to invest at the present time.

During the quarter we added to several positions (**Alphabet** (GOOG), **Wells Fargo** (WFC)) and trimmed our holdings in **Urbana** (URB.A). Our cash position stood at 13.2% at the quarter end and while we remain cautious given the market environment, we are eager to put it to work when we find attractive opportunities.

The Value Fund’s top 10 holdings – representing over 60% of the portfolio at the end of Q3 – were as follows:

GreensKeeper Value Fund

Top 10 Holdings *

Berkshire Hathaway Inc.	11.2%
Facebook, Inc.	6.5%
Apple Inc.	6.2%
Visa Inc.	6.2%
Wells Fargo & Company	5.6%
American Express Company	5.5%
United Parcel Service, Inc.	5.1%
Booking Holdings Inc.	5.0%
Anthem, Inc.	4.9%
Novo Nordisk A/S	4.3%

**As at September 30, 2019. The Value Fund’s holdings are subject to change and are not recommendations to buy or sell any security.*

Business Update

November 1st marks the 8th anniversary of the launch of the Value Fund. It has been an amazing journey so far and we are still in the early innings. Our firm's assets under management have grown every year since inception largely due to referrals from our existing clients. Thank you for spreading the word!

In order to fuel GreensKeeper's next leg of growth, we are excited to announce the pending launch of the Value Fund on the Fundserv platform in November. Our Fundserv listing will allow selected dealers and investment advisors to offer units of the Value Fund directly to their clients. For dealers and investment advisors that would like additional information, please [reach out to us directly](#).

We are passionate about investing and recognize the trust that clients place in us to prudently grow their hard-earned savings. We take this responsibility seriously and view our relationship with our clients as one of investment partnership – because it is. My household has over 70% of our net worth and 100% of our investable assets invested alongside the firm's clients. This is as it should be.

I look forward to compounding your savings, along with my own, for many years to come.



Michael P. McCloskey
President, Founder &
Chief Investment Officer

October 26, 2019