April 22, 2021

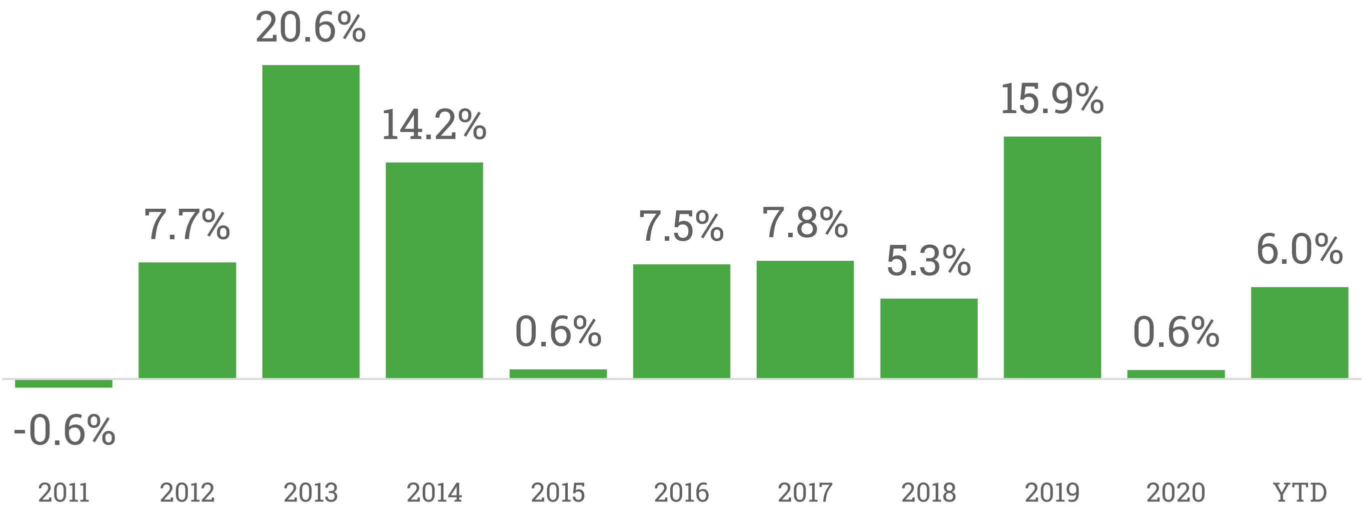
Value Returns

The Value Fund was up +6.0% in Q1. The weakening US dollar lowered our returns by approximately (1.2%) for the quarter. We lagged the S&P/TSX Total Return Index which was up +8.1% but beat the S&P500 Total Return Index ($CAD) which was up +4.8%.

Value stocks are once again in vogue as eight of our holdings were up double-digits for the quarter. It was only one quarter ago that I wrote "...Value Investing may be out of step with the markets at present, but history teaches that in the long run, valuations matter." To paraphrase Benjamin Graham, in the short term the market price of a stock is a popularity contest. Over the long-term, it is a company's future earnings power (intrinsic value) that determines its stock price.

As value investors, the true cost for buying cheap is short-term unpopularity. We hunt for and purchase bargains that others have abandoned. But what attracts the attention of the market at any given moment is forever in flux. Sentiment constantly changes. What was unloved can suddenly become popular again sparking a swift share price increase.

While we may not be able to precisely predict the timing of that shift in popularity, provided that our analysis is sound, we know that it will come. Just as important, value investing (buying cheap) provides a margin of safety which reduces risk along the way. Our approach has served us well when markets crater. We believe that it will again when history repeats itself.



Portfolio Review

The Value Fund's best-performing stocks for the quarter were **Intel** (INTC) +28.5%, **General Dynamics** (GD) +22.0%, **Alphabet** (GOOG) +18.1%, **American Express** (AXP) +17.0%, **Anthem** (ANTM) +11.8%, and **Berkshire Hathaway** (BRK.A/B) +10.2%. These are all high-quality names trading at reasonable valuations and demonstrate our commitment to growing your capital (and ours) prudently by mitigating risk.

Our laggards for the quarter were **Check Point Software** (CHKP) -15.8%, **Visa** (V) -3.2% and our pharmaceutical holdings consisting of **Merck** (MRK) -5.8% and **Pfizer** (PFE) -1.6%. Big pharma is currently busy saving the world, but you wouldn't know it by looking at their stock prices. With Merck and Pfizer trading at low-double-digit earnings multiples we are happy to own them and collect 3-4% dividend yields while waiting for a rerating.

We remain cautious given lofty market valuations and sold several of our holdings during the quarter. In January we fully exited our longstanding position in diabetes specialist **Novo Nordisk** (NVO). We still love the business and hope to get the opportunity to own it again some day. But with the stock selling north of $70 we think it is more than fully valued (versus our purchase price of $36.31). Even the best of businesses are not worth an infinite price.

We also sold our position in **United Health Group** (UNH) in Q1 at a decent profit. We still like the US health insurance sector, but with United Health Group trading at 21.5x forward earnings and competitor **Anthem** (ANTM) trading at 14.7x, we believe that the latter is the more attractive stock to own at present.

Finally, we sold out of our position in **Diageo** (DEO). Headquartered in the UK, Diageo is one of the world's largest distillers of spirits and producers of beer (brands include Johnnie Walker, Guinness, Crown Royal, etc.). While they are well positioned as economies start to reopen and on-trade consumption resumes, we believe that the market has already priced most of that into the stock.

Despite our cautiousness in this market environment, we are still finding a few attractive situations. During the quarter we initiated a position in **TVA Group** (TSX:TVA.B). Based in Quebec, the company is a leading broadcaster and owner of specialty channels targeting the French-Canadian audience.

We were attracted to the company's leading 40% market share with its core audience. The pandemic has challenged certain segments of TVA Group's operations; however, management has done a very good job of controlling costs and delivering results. The company is controlled by Quebecor Media and thinly traded. As a result, this investment will most likely be volatile and take time to show promise. But at our average purchase price of $2.22 we paid less than three-times Owner Earnings for a decent business with a solid balance sheet. Long-term, we like our odds of a good outcome.

GreensKeeper Value Fund

Top 10 Holdings *	Sector
Alphabet Inc.	Technology
American Express Company	Financial Services
Anthem, Inc.	Healthcare & Pharma
Berkshire Hathaway Inc.	Insurance
Cisco Systems, Inc.	Technology
Facebook, Inc.	Technology
Merck & Co., Inc.	Healthcare & Pharma
Pfizer Inc.	Healthcare & Pharma
TVA Group Inc.	Communication & Media
Visa Inc.	Financial Services

As of March 31, 2021. The Value Fund's holdings are subject to change and are not recommendations to buy or sell any security.

During the quarter we also initiated a position in **Lockheed Martin** (LMT) to compliment our holding in **General Dynamics** (GD). Both are major defense contractors with longstanding ties to—and security clearances with—the US government. With the shift to the new Biden administration, the market has been worried about defense budget cuts posing headwinds for both companies.

Our investment thesis is straightforward. Major defense contractors are attractive businesses with high returns on capital and captive customers. A new company is not going to suddenly invent an alternative to the F-35 Joint Strike Fighter. Defense contractors have historically demonstrated their ability to manage through a variety defense budget environments. Both companies successfully grew their earnings during the budget downcycle of the Obama era. Lockheed Martin's order backlog currently sits at $147 billion or more than two year's worth of revenue. Unexpected geopolitical events can also swiftly cause a change in investor sentiment and product orders. We suspect that both companies will continue to thrive and at current prices, the sector offers below-market valuations and above-market dividend yields.

At quarter end, US-based equities comprised 81% of the portfolio, Canadian Equities 5% and EMEA equities another 2%. We finished Q1 with a cash position of 12% and are continuing to scour the markets for sensible places to put it.

Although frustratingly slow at times, the world is making meaningful progress in our collective fight against COVID-19. We humans are a resilient species due to our ability to successfully adapt. The fight against this virus will be no different. We should be getting back to a 'new normal' over the next twelve months and are positioning the portfolio accordingly.

New Video Series

My love of the printed word naturally led me to use the Scorecard as GreensKeeper's primary communication tool. My brother James (SVP Sales), on the other hand, is more of a video person. If you are like James and prefer videos, we think that you will enjoy our series of introductory videos that can be found here.

Spring is here and summer just around the corner. Hang in there – things will get better soon.

Michael P. McCloskey

President, Founder &
Chief Investment Officer