

July 22, 2021

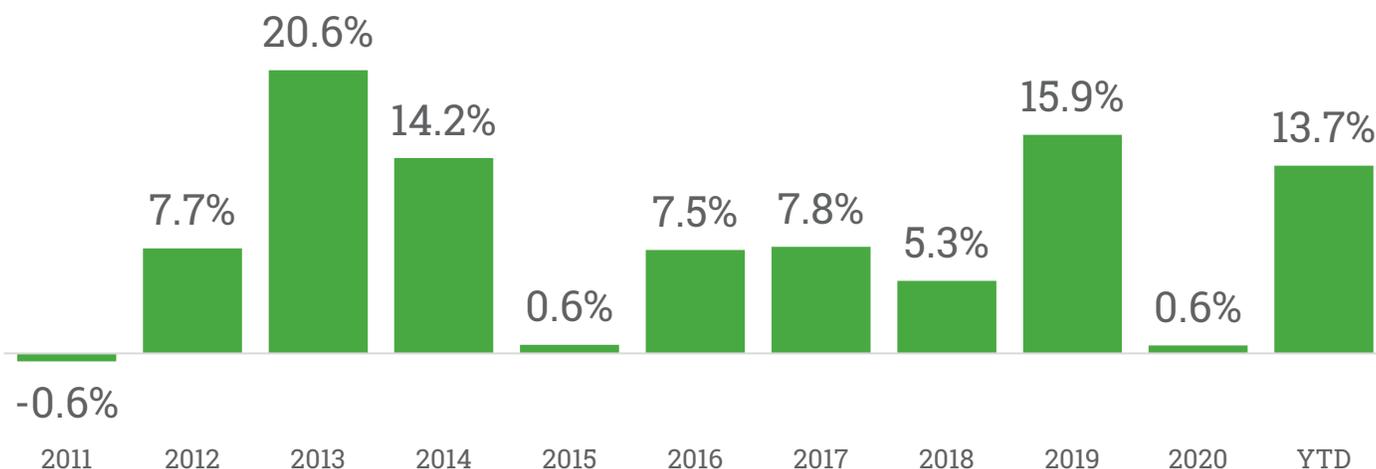
Bedrock

The Value Fund was up +7.2% in Q2 and is up +13.7% year-to-date (YTD) net of fees and expenses. The weakening US dollar lowered our returns by approximately (1.3%) in the quarter and (2.5%) YTD. As of June 30, the S&P/TSX Total Return Index was up +17.3% and the S&P500 Total Return Index (\$CAD) was up +12.2%.

Our best performing stock in Q2 was our investment in **TVA Group** (TSX:TVA.B) +38.3% which we discussed in [Scorecard #33](#). The company recently announced a project to build a new \$53 million soundstage in Montreal which is scheduled to open in 2023. This is the company's highest margin segment and as a [recent article in the Wall Street Journal highlights](#), soundstages are in short supply given rising demand for filmed content. Despite the stock's move, we continue to believe it is undervalued.

Our holdings in tech behemoths **Alphabet** (GOOG) +21.2% and **Facebook** (FB) +18.1% rounded out the top three contributors for the quarter. We hope to hold these long-term compounding for many years to come.

Our only detractor during the quarter was our investment in **Intel** (INTC) -12.3%. Intel is a turnaround story that will likely take years to play out. We believe that new CEO Pat Gelsinger is making intelligent decisions and at current valuations, are content continuing to own the stock.



The only major portfolio move during the quarter was the sale of our entire stake in **Organon** (OGN). Organon was a spinoff (dividend) from our holding in **Merck** (MRK). As with many drug spinoffs, Organon was loaded up with debt and slow growing, so we headed for the exits shortly after receiving the shares.

We are off to a good start in 2021 and as of writing, July has continued that positive trend. That said, we remain wary of lurking risks given the market’s overall valuation.

Portfolio “Look Through”

To survive Mother Nature’s inevitable storms, a house must be built on a solid foundation with quality materials. We teach this to our children via the fable of The Three Little Pigs. Yet in the current bull market, many adults seem to have forgotten that childhood lesson when it comes to their financial house.

Seeking quick riches and egged on by the media and envy, we see many investment portfolios that are built of straw (Bitcoin and other speculative assets) and sticks (unprofitable companies trading at insane valuations). We prefer our investment portfolios to be constructed of brick.

In order to verify that our investment foundation is solid, we recently analyzed the Value Fund’s holdings quantitatively and compared them to the S&P 500 Index. Instead of presenting the Value Fund as a mutual fund, we aggregated its underlying holdings at different periods of time and presented the portfolio as if it were a company (called a “look-through” analysis). We then did the same with the S&P 500 Index. The results are presented in the table below.

		GreensKeeper Value Fund					S&P500
		2017	2018	2019	2020	2021*	2020
Quality	Return on Equity	28%	39%	39%	23%	29%	11%
	Gross Margin	52%	49%	53%	58%	59%	44%
	Operating Margin	27%	24%	30%	29%	33%	12%
	Cash Conversion	127%	109%	93%	120%	118%	94%
Safety	Interest Coverage	18x	14x	15x	22x	22x	6x
Valuation	Free Cash Flow Yield	7.2%	7.1%	5.0%	5.3%	6.1%	3.7%

Source: Greenskeeper Asset Management / Bloomberg / S&P Capital IQ. Return on Equity, Gross Margin, Operating Margin, Cash Conversion and Free Cash Flow Yield are the weighted mean of the underlying companies invested in by the Greenskeeper Value Fund and the mean for the S&P 500 Index. The S&P 500 Index figures exclude financial stocks except for ROE which includes all sectors. Interest coverage figures are median and exclude financial stocks. Ratios are based on last reported fiscal year accounts as at the respective dates and as defined by S&P Capital IQ. Cash Conversion compares Free Cash Flow with Net Income. Free Cash Flow Yield for the S&P500 uses the period-end median. *2021 figures as of June 30.

So, what do the numbers above tell us? First, the Value Fund “company” is above average in quality:

- Returns on Equity employed are far in excess of the broader market. As a result, our “company” generates more cash for each dollar of equity capital required to operate and grow the business. That cash can then be redeployed in the business at favourable rates or returned to shareholders.
- Gross margins are comfortably higher than the market average. We own businesses with pricing power that can charge more for their goods and services than the typical business due to their moat (brand, network effects, switching costs, etc.). This will prove to be handy should inflation persist.
- Operating Margins are also significantly higher than the market average. Our companies usually benefit from scale and efficiency.
- Cash conversion is another tell of quality. Our companies typically generate free cash flow that exceeds their accounting net income (currently about \$1.18 for each \$1.00 of accounting income versus \$0.94 for the broader market).

Next, we recognize that Return on Equity can be increased merely by adding financial leverage. But surprisingly, our companies generate higher ROEs while having *lower* financial leverage. Whereas the broader market has operating earnings (EBIT) of about 6x their underlying interest expense, our companies currently cover their interest obligation by over 22x and use debt sparingly. In other words, our companies are more conservatively financed.

Given the quantitatively superior business quality and lower financial leverage, one would expect that our portfolio of companies would trade at a premium to the market. But they don't. We use free cash flow as a proxy for our preferred measure of business earnings ([Owner Earnings](#)). Reported earnings are subject to vagaries of accounting conventions and management judgment but cash is hard to manipulate.

- As of year-end 2020, the Value Fund holdings were delivering a free cash flow yield of 5.3% based on prevailing market prices. This compares with the broader market at 3.7%. At market prices, we were paying less for each dollar of free cash flow than the market overall. It is also worth pointing out that many of portfolio holdings have appreciated materially in value since purchase. That implies that the yield at the time of purchase was even higher.

Superior business economics, lower financial leverage and undervalued relative to the market. That's the bedrock that our portfolios are built upon.

Trying to predict and successfully time when the next storm will arrive is not a substitute for sturdy construction. Financial storms tend to arrive with little warning. The key to resilience is to know that they will inevitably come and to prepare in advance.

GreensKeeper Value Fund

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

** As of June 30, 2021. The Value Fund's holdings are subject to change and are not recommendations to buy or sell any security.*

Putting in the Work

Our [recent video series](#) was a big hit – thank you for all the positive feedback and to Michelle and James for helping to make it happen.

Recent business school graduates Wonhee Cho and Mark Fortino have been a welcome addition to the firm's research team for the summer. The look-through analysis above and a [deep dive](#) on our investment in **TVA Group** are but two examples of projects that they have been working on. A summer of stock picking is my idea of fun. Their bios and those of the rest of our team can be found [here](#).

Enjoy the summer!



Michael P. McCloskey

President, Founder &
Chief Investment Officer

GreensKeeper Value Fund

As at June 30, 2021

Fund Details

	Class A	Class D*	Class F*	Class G**
Fund Codes	GRN 101	GRN 103	GRN 105	GRN 107
NAV	\$19.33	\$10.00	\$20.48	\$16.12
MER (%)	1.8%	2.3%	1.3%	< 1.8%
Min. Initial Investment	\$50,000	\$25,000	\$25,000	\$1 million
Load Structure	No Load			
Performance Fee	20% over 6.0% annual hurdle. High-water mark (perpetual).			
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)			

Fund Distributions - \$/Unit (Class A)

2012 - \$0.2318	2016 - \$0.5416	2020 - \$0.0000
2013 - \$0.2147	2017 - \$0.0000	
2014 - \$0.6542	2018 - \$0.5752	
2015 - \$0.2939	2019 - \$0.5626	

Service Providers

Investment Manager	
Administrator and Registrar	
Auditor	
Custodian	
Legal Counsel	

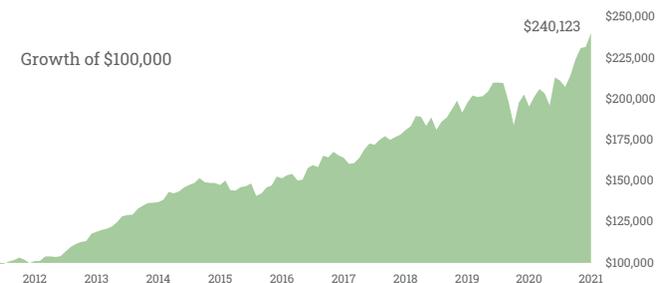
Investment Objective

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 ⁽¹⁾⁽²⁾	Annualized					
	1 MO	YTD	1 YR	3 YR	5 YR	Inception
Value Fund	3.6%	13.7%	22.9%	9.9%	9.6%	9.5%

Portfolio Allocations

Asset Mix *		Sector	
U.S. Equities	87.3%	Technology	37.1%
Canadian Equities	6.6%	Financial Services	18.0%
Cash	4.3%	Healthcare & Pharma	16.4%
EMEA Equities	1.9%	Insurance	13.1%
		Communication & Medi	6.2%
		Industrial	5.1%
		Cash & Equivalents	4.3%

* Based on corporate domicile.

GreensKeeper Value Fund

Leadership Team



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Statistical Analysis ⁽³⁾

	Value Fund	S&P/TSX	S&P500 (\$CAD)
Fund Beta vs. Selected Index	n/a	0.50	0.60
Standard Deviation	8.1%	11.4%	11.1%
Sharpe Ratio	1.07	0.71	1.50
Best Month	8.7%	10.8%	11.6%
Worst Month	-7.1%	-17.4%	-8.1%
Percentage Positive Months	70.7%	67.2%	72.4%
Maximum Drawdown	-12.3%	-22.3%	-14.5%
CAGR Since Inception	9.5%	8.5%	18.6%

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, 2021 for Class A Units. ⁽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 Class A monthly returns since inception. Risk-free rate calculated using 90-day CDN T-bill rate. * Class D Units are available to purchasers who acquire their Units through another eligible registered dealer. Class F Units are available to purchasers who participate in fee-based programs through eligible registered dealers. ** Class G Units are for purchasers 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 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

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 originally invested with GreensKeeper because I trusted Michael, felt that his strategy was right for me and his fee structure was very appropriate. The results to date have more than validated this decision."

Gary Webb
client since 2015

"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.