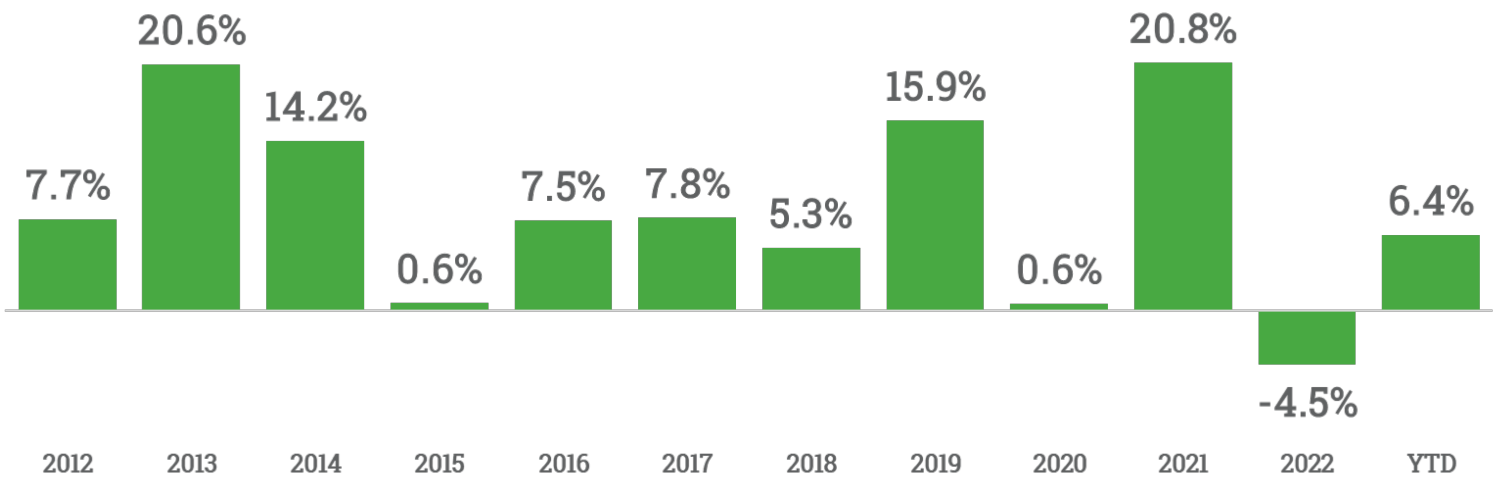
July 30, 2023

Skinny Pop

The Value Fund was up +3.0% in Q2 and is up +6.4% year-to-date. The weakening US dollar lowered our returns by approximately -2.1% in H1. The broader markets are also up this year: S&P/TSX +5.7%, DJIA +2.7% and the S&P500 +14.4%.(1)

Value Fund
Calendar Year Returns



Index returns are discussed ad nauseam but rarely analyzed. The current market rally has been a narrow one and merits a deeper dive.

Most broadly-followed market indices—including the S&P500—are capitalization-weighted indices. Under this methodology, companies with a larger market capitalization will receive a greater weighting in the index. As a result, the more expensive a stock becomes, *ceteris paribus*, the *greater* its weighting in the index.

(1) Index returns are for the total return indexes which include dividends and are measured in Canadian dollars, the Value Fund's reporting currency.

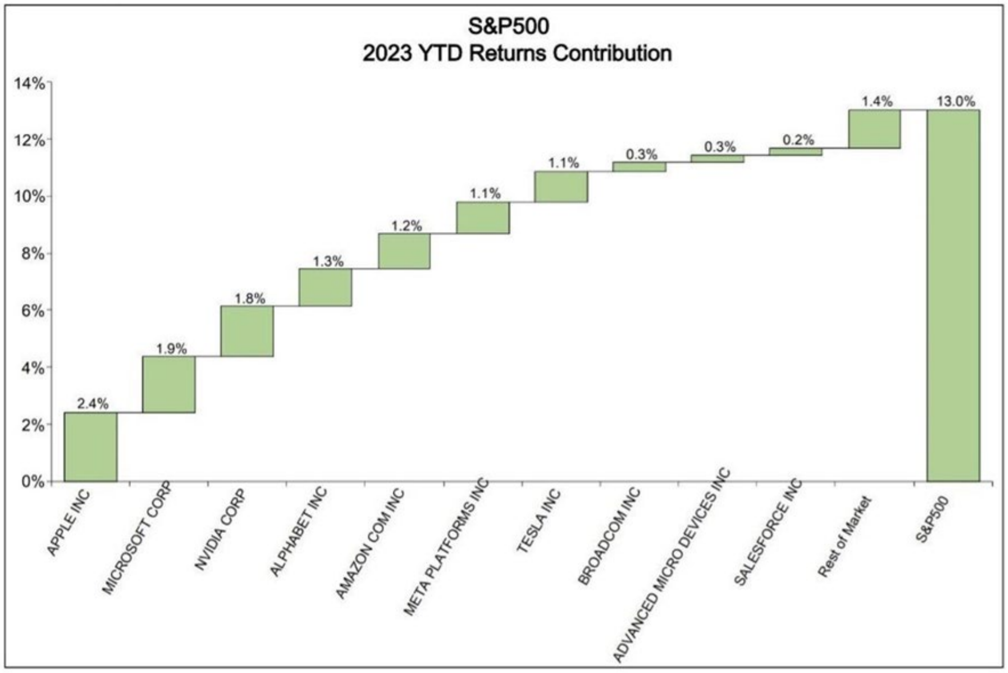
This quirk of most stock market indices is the exact *opposite* of our value investing approach. As a stock becomes more expensive, its future expected return decreases; it thus becomes riskier and less attractive. We would prefer to own less of it, not more.

Market-cap-weighted index construction can lead to extremes at times. For example, the Nasdaq 100 Index is currently being reconstituted via a special rebalancing as its top five stocks (**Microsoft** (MSFT), **Apple** (AAPL), **Nvidia** (NVDA), **Amazon** (AMZN) and **Tesla** (TSLA)) combined now account for approximately 44% of the entire index. Hardly a diversified measure of the broader tech market.

The S&P500 is a little better (its top five constitute 22% of the index), but the market-cap weighting has led to the odd result that the index's year-to-date performance has been driven by only a handful of high-flying technology stocks. As the chart below illustrates, almost all the S&P500's gains year-to-date can be attributed to just ten stocks. The remaining 490 stocks in the index are up a mere 1.4%.

Digging deeper, we highlight that four of these top contributing stocks—**Amazon** (AMZN), **Nvidia** (NVDA), **Tesla** (TSLA) and **Salesforce** (CRM)—sport trailing price-to-earnings (P/E) ratios over 100. These stocks may yet rally further (something that momentum investors are counting on). But the risk inherent in owning stocks that become untethered to fundamentals is that it only takes a minor hiccup or a change in the prevailing narrative to send them plunging. Our view is that owning them at their current valuations is imprudent.

EXHIBIT 2: **Top 10 contributors to Returns in 2023 YTD**



S&P 500 Universe
Source: Factset, CRSP, Bernstein Analysis

Given our view that many of these stocks are overvalued—some absurdly so—it shouldn't surprise clients to know that we only own one of them: **Alphabet** (GOOG/GOOGL).

Over short periods, stock prices reflect their popularity with investors. At present, anything related to artificial intelligence (AI) is fueling another round of frenzied speculation. But over the long term, valuations are what determine stock prices.

As Benjamin Graham so beautifully put it, "Over the short-term, the market is a voting machine. Over the long term, it is a weighing machine".

The voting machine is currently running hot, and we are being cautious. We will remain disciplined and continue scouring the investment universe for high-quality businesses trading at levels that are more likely to deliver attractive long-term returns.

Portfolio Update

The most significant contributor to the portfolio in H1 was our position in **Alphabet** (GOOG/GOOGL) +36.3%. Last year's selloff related to the launch of AI-powered chatbot ChatGPT is now in the rearview mirror. The company delivered decent Q2 results; as we suspected, its search dominance remains intact.

Berkshire Hathaway (BRK.A/B) +10.4% was the second-largest contributor YTD. Its collection of diversified businesses will continue to throw off a growing stream of cashflows for decades to come. We are in good hands.

Our third-largest winner YTD was **Fiserv** (FI) +24.8%. The company recently delivered another solid quarter and raised its full-year guidance. Competitor **Fidelity National** (FIS) continues to struggle and recently announced a sale of a majority stake in its merchant services business to private equity. This may create an opportunity for Fiserv to take market share from a distracted competitor.

The biggest detractor from the portfolio in H1 was **Elevance Health** (ELV) -13.4%. Investors are less interested in defensive sectors like healthcare at the moment. Trading at a low teens forward earnings multiple and consistently delivering double-digit earnings growth, we are happy to own Elevance at these prices.

We made no significant portfolio moves in H1, only adding one new position after the quarter end. Our top-ten holdings remain unchanged. Additional portfolio disclosures, including performance statistics, can be found on the pages immediately following this letter.

GreensKeeper Value Fund

Top 10 Holdings *	Sector
Alphabet Inc.	Technology
American Express	Financial Services
Berkshire Hathaway Inc.	Insurance
Elevance Health	Healthcare & Pharma
Fiserv Inc.	Technology
Intercontinental Exchange, Inc.	Financial Services
Merck & Co., Inc.	Healthcare & Pharma
S&P Global Inc.	Technology
Vertex Pharmaceuticals	Healthcare & Pharma
Visa Inc.	Technology

* As of June 30, 2023. The Value Fund's holdings are subject to change and are not recommendations to buy or sell any security.

Firm Update

It has been a busy quarter. I recently did a podcast with Scott Reardon of Dakota Value Funds, where we discussed the Berkshire Hathaway annual meeting, running an investment firm and many other topics. Links to the podcast can be found here.

After a brief trip to Omaha in May, we hosted over 40 people at GreensKeeper's Annual Meeting in June. The research team is currently hard at work updating our models as reporting season is in full swing. We are constantly analyzing hundreds of companies, trying to uncover mispriced bargains.

For firm clients, our Six-Month report will be distributed next month after the finalization of our financial statements by our fund administrator.

Each of our employees has their entire investment portfolio invested at GreensKeeper. In my case, it represents the bulk of my household's net worth. We invest in the same stocks as our clients, and our approach is one of partnership. If you could use some help with your investments, please give us a call.

Michael P. McCloskey

President, Founder &
Chief Investment Officer

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