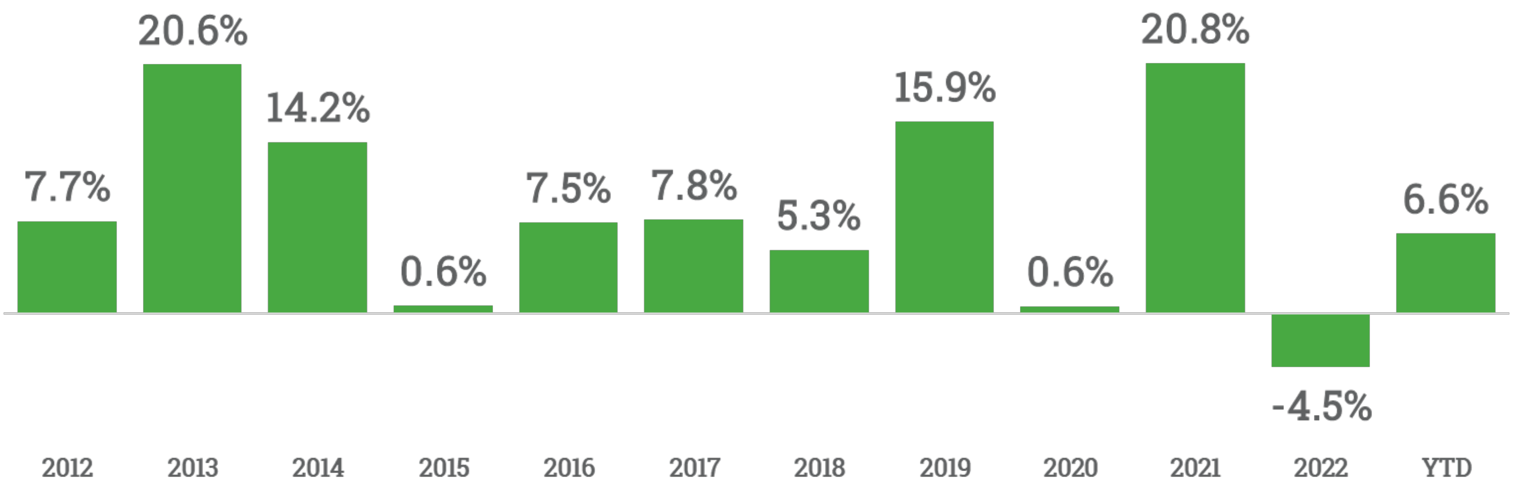
October 26, 2023

Quarter Century

The Value Fund was up +0.3% in Q3 and is up +6.6% year-to-date as of Sept. 30. The CAD/USD exchange rate is close to where it started the year, and currency impacts have been immaterial. The broader markets were lower in Q3, with the S&P/TSX -2.2% and the S&P500 -0.8%. (1)

Value Fund
Calendar Year Returns



Taking a broader perspective, over the past twenty-five (25) months, the major North American indices have been essentially flat (S&P/TSX +1.3%, S&P500 -2.0%), except for the tech-heavy Nasdaq, which is down -11.9%. (2) We appear to be in a sideways market.

Over that same period, the Value Fund was up +2.4%, albeit without the extreme declines of the broader markets. Given the quality of the names in our portfolio and our discipline regarding risk mitigation, that shouldn't come as much of a surprise to clients.

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

We don't mind the current market environment as we are finding new places to put capital. Bull markets stretch valuations and tend to lift all stocks, making it harder to find bargains. Conversely, when the investment world frets about rising interest rates, the state of the economy and geopolitics, opportunities present themselves for discerning stock pickers.

Portfolio Update

The most significant contributor to the portfolio in Q3 was our position in **Alphabet** (GOOG/GOOGL) +9.0%. Last year's concern was the launch of AI-powered chatbot ChatGPT. As Alphabet's just-released Q3 report demonstrated, this search behemoth is still growing core advertising revenues at high single digits, which is remarkable given its size. Google Cloud revenues are now "only" growing at 22% and have caused the stock to pull back this week from its recent highs. Alphabet's wide moat is intact, and the company has plenty of tailwinds. Alphabet should continue to grow at attractive rates for the foreseeable future.

Berkshire Hathaway (BRK.A/B) +2.7% was the second-largest contributor to the portfolio in Q3. Given the diversity of the businesses under the Berkshire umbrella, some are thriving (insurance) while others are struggling (real estate brokerage). Overall, the company is performing respectably, and we view the stock as being modestly undervalued at current levels. Berkshire is a compounder and a core position in our portfolios.

Our third-largest winner in Q3 was **CBOE Global Markets** (CBOE) +13.2%. Given the business' inherent operating leverage, increasing option volumes and pricing power in its datasets are growing revenues and driving EPS growth. With a cost base of $82.60, the stock has been a double for GreensKeeper, even ignoring the dividends.

The biggest detractor from the portfolio in Q3 was **Merck & Co.** (MRK) -10.8%. Merck's life-saving drugs continue to generate a flood of free cash flow that the company uses to make acquisitions to replace branded drugs nearing the end of their patent lives. The company also returns $7.5 billion annually to shareholders via dividends while maintaining a healthy balance sheet. Big Pharma companies go in and out of favour, depending on market sentiment. We purchased Merck when it was cheap and will continue collecting dividends until we find a better place for our capital.

We added one new position to the portfolio in Q3. As we are still accumulating shares in the company, we will reveal this position at a later date. Post Q3, we added a starter position in luxury goods leader **Compagnie Financière Richemont SA**. (SWX:CFR) to the portfolio. We lay out our investment thesis for **Richemont** below.

The Value Fund's top-ten holdings remain unchanged and are listed in the table below. Additional portfolio disclosures, including performance statistics, can be found on the pages immediately following this letter.

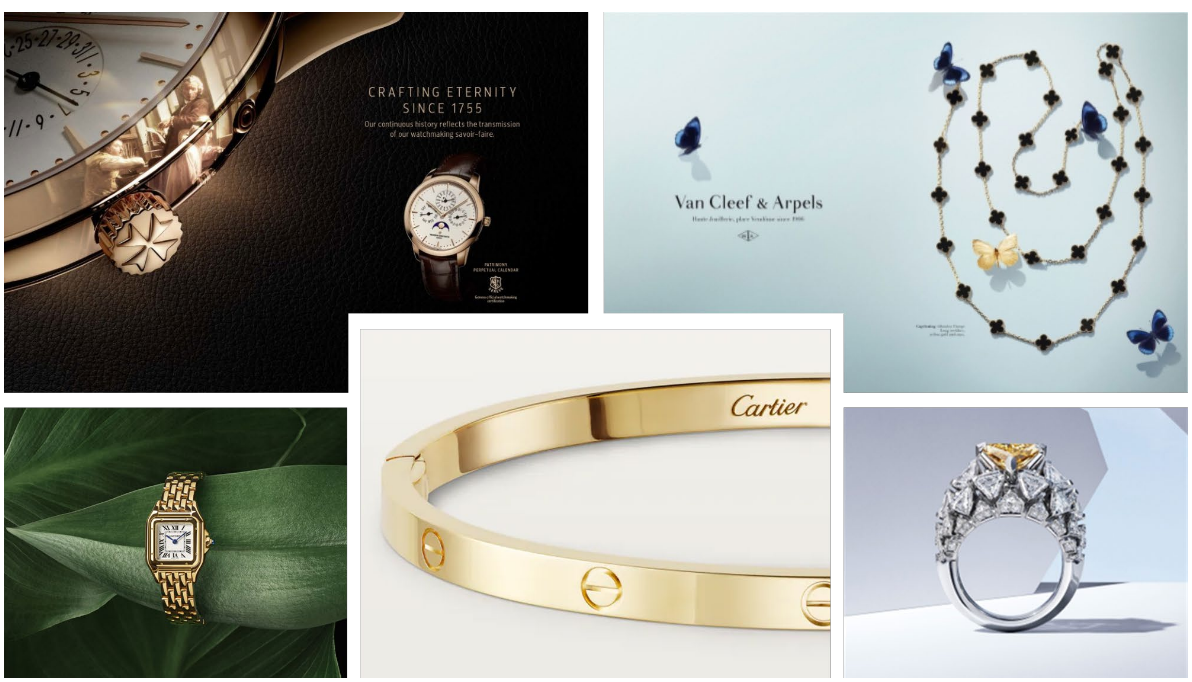
GreensKeeper Value Fund

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

Richemont

Compagnie Financière Richemont SA. ("**Richemont**") is a leading global hard luxury company based in Switzerland. You may not know the company, but we suspect that you are familiar with its brands:



Follow us:

Richemont is an exceptional business with iconic brands that are nearly impossible to replicate (Cartier, Van Cleef & Arpels, Vacheron Constantin, etc.). The company's flagship Cartier brand, established in Paris in 1847, is almost twice as large as the #2 branded jewellery brand (Tiffany) which is owned by luxury heavyweight LVMH Moët Hennessy Louis Vuitton (**LVMH**). We have little doubt that LVMH would love to buy Richemont (it is not for sale).

The luxury market has grown at 6% annually over the past 17 years, and the branded luxury segment even faster. Richemont's revenue growth over that period has exceeded 10%. We expect these trends to continue.

Branded jewellery currently represents only 25% of the overall jewellery market and is taking share as affluent consumers look for ways to differentiate themselves and project their status. Richemont's business benefits from several powerful tailwinds: growing global wealth, increasing volumes and untapped pricing power.

The company raises its prices annually but at slower rates than many of its competitors. Their philosophy of ensuring that resale values remain high and protecting brand equity at all costs resonates with us. Management is focused on building long-term trust with customers. The controlling shareholder (Johann Rupert) is a strong owner-operator who shares our long-term mentality.

Richemont's jewellery segment earns 30-35% EBIT margins, and its specialty watch segment earns EBIT margins in the high teens. The company maintains ROICs in the 30% range and returns excess capital to shareholders annually via dividends. This is a high-quality business.

Luxury Watch Market

- Richemont owns 5 of the top 15 luxury watch brands worldwide
- Distribution channels consolidating giving more power to brands
- Ultra-Luxury watches continue to take share as mid-market loses to smartwatches

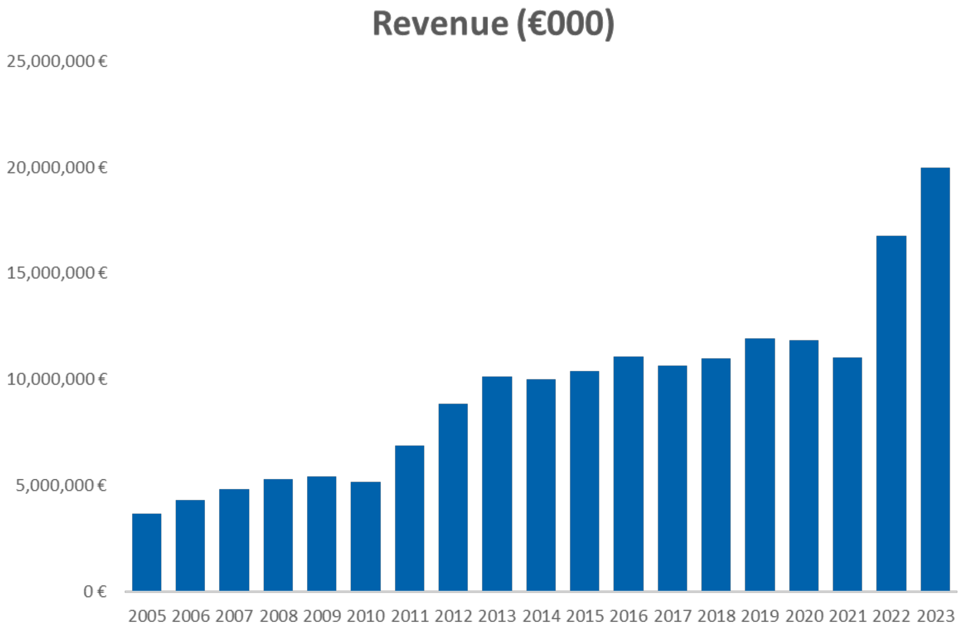
Hard luxury goods (jewellery, watches) are less prone to changes in fashion than soft luxury goods (designer clothing, handbags). As Coco Chanel so beautifully put it, “Style stays, fashion goes.”

Chinese customers have become significant purchasers of luxury goods, and given the Covid lockdown and disappointing rebound, concerns about the health of the Chinese consumer are mounting. Talk of a possible recession in many other countries is also weighing on sentiment. As a result, shares of Richemont are down 34% from their May highs.

Based on our estimates, the stock is trading on about 14x current-year earnings compared with a historical trading multiple of over 20x. The company also sports a pristine balance sheet with no net debt.

The current fears about the spending habits of affluent consumers have given us an opportunity to start a position in this wonderful company at a fair price. Our bet is that a decade from now, there will be many more wealthy people buying Richemont’s products at significantly higher prices. The desire to demonstrate one’s status is innate to the human condition and unlikely to change. Provided that Richemont remains an excellent steward of its unique brands, the company will continue to grow its revenues and profits.

Admittedly, the stock isn’t dirt cheap—great companies rarely are. But we believe that at our recent purchase price, we will earn an attractive return. If it turns out that we bought too early and sales decline over the near term, we can add to our starter position and make it a more significant weight in the portfolio at lower levels.



Quarter Century

Google recently celebrated its 25th anniversary by posting a special Google doodle (see above). The occasion made me nostalgic about the start of my career on Bay Street some 25 years ago.

My youngest daughter is now working on the capital markets trading desk at a major Canadian bank not far from where I once worked. GreensKeeper's full-time research analyst—Michael Van Loon—is a recent graduate of the Ivey HBA program. The next generation is taking over … which is how it should be. My, how time flies.

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GreensKeeper continues to grow and thrive, largely due to referrals from existing clients. Our entire team takes to heart Charlie Munger's advice that the best way to get more business is the work on our desk. As long as we continue to deliver attractive returns to our existing clients while prudently managing risk, our business will continue to succeed.

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