Greenskeeper

ASSET MANAGEMENT INC.

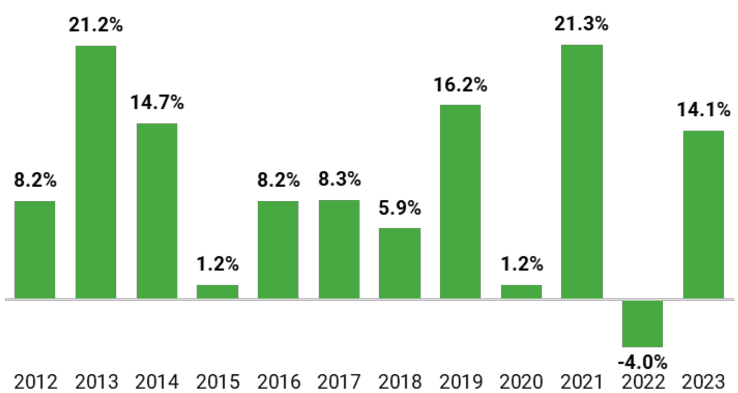
2023 Annual Report

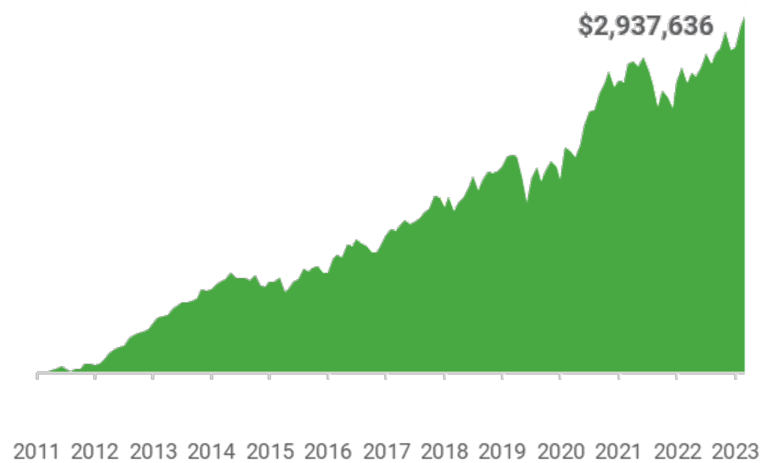
January 31, 2024

Fellow Investment Partners,

The Value Fund finished the year +14.1% net of fees and expenses. The US dollar weakened against most major currencies, including the Canadian dollar, and lowered our returns by approximately -2% for the year.

The challenging market conditions of 2022 are a distant memory, and we are back in compounding mode. Hopefully, 2023 will mark the first year of a new 10-year streak of positive returns.





After trouncing the major US benchmarks in 2022, we finished 2023 slightly ahead of the S&P/TSX (+11.8%), in line with the DJIA (+13.7%) and trailing the S&P500 (+23.6%). (1)

The major market-capitalization-weighted indices were heavily influenced by a handful of stocks. Two-thirds of the S&P500's returns for the year were generated by just seven companies (known as the "Magnificent 7"). By comparison, the equal-weight S&P500—comprised of the same 500 companies as the S&P500 but with equally-weighted positions—finished the year +10.8%. (2)

While the Magnificent 7 consists of some quality companies (Alphabet, Amazon, Apple, Google, Microsoft, Nvidia, and Tesla), most trade at valuations we avoid.

For example, **Tesla** ended the year trading at 67x forward earnings while competing in an industry not known for generating attractive shareholder returns. Tesla is a leader in the EV transition. However, BYD and many traditional manufacturers of internal combustion engines (ICEs) are vying to compete for a finite number of EV consumers. Tesla may maintain its early lead and eventually grow into its valuation. But that is an outcome we are not prepared to underwrite, especially with the brilliant but highly erratic Musk at the helm. It only takes a few bad quarters from companies trading at lofty multiples to trigger a severe multiple contraction and permanent loss of shareholder capital.

We prefer the better odds of generating solid returns while avoiding severe declines that come with buying high-quality companies purchased with a large margin of safety.

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

Portfolio Update

The biggest contributor to the portfolio in 2023 was Alphabet (GOOG/GOOGL) +58.8%. We first invested in Alphabet in Q1 2018 as we were attracted to the dominance of their search engine (Google is a verb), its economics and the long-term tailwinds from the world's continued shift online. Over the past 5+ years, we have opportunistically increased our Alphabet position whenever the shares traded at a material discount to our calculation of its intrinsic value.

Our latest purchase occurred in December 2022 after Alphabet's share price fell 40% from its 2021 highs. That selloff was driven by market fears of a weak advertising outlook and the threat of artificial-intelligence-powered chatbots stealing market share from Google Search. We disagreed with that assessment and made our bet. One year later, Alphabet is on pace to report a mid-double-digit increase in operating income for 2023, fears of an artificial intelligence (AI) takeover have diminished, and the shares have responded accordingly.

Although much has changed in the world over the past five years, our investment thesis in Alphabet hasn't. Its core businesses (Search and YouTube) have maintained their dominance, and the company has used its scale and significant resources to develop strong positions in emerging fields such as cloud computing and AI.

Our investment in Alphabet illustrates our investment approach at GreensKeeper. We prefer to purchase the best businesses in the world whenever they are offered to us at an attractive price. Provided that we correctly identify and assess their sustainable competitive advantages (or "moats"), we can then allow their value to compound over time. Since our initial investment in 2018, GOOG's share price has increased 181% (20% per annum) while experiencing multiple drawdowns of more than 30%. We use selloffs as opportunities to reassess our thesis and, if unchanged, add to our position. Benjamin Graham had it right. Mr. Market is there to serve us, not to guide us.

Vertex Pharmaceuticals (VRTX) was the second largest contributor to the Value Fund in 2023, finishing the year +40.9%. Vertex's world-leading cystic fibrosis (CF) therapies continue to generate a torrent of cash flow (approaching $10 billion in sales at 88% gross margin). We also benefitted from the market's reaction to several positive developments from their pipeline assets

Late in 2023, the FDA approved a Sickle Cell Disease (SCD) therapy that Vertex co-developed with CRISPR Therapeutics. The therapy, known as CASGEVY, offers the potential of a functional *cure* for patients with this debilitating disease. Earlier this week, CASGEVY was also approved by the FDA for the treatment of Transfusion-Dependent Beta Thalassemia. CASGEVY is the company's first step towards diversifying its revenues beyond the core CF franchise. While our original thesis was based solely on the projected earnings generated by the CF franchise, we are pleased with these pipeline developments for Vertex and patients battling these life-threatening genetic diseases.

Our third most significant contributor to the portfolio for the year was **Berkshire Hathaway** (BRK.A/B) +15.5%. As expected, Berkshire's diversified portfolio of businesses performed well throughout the year, with its insurance underwriting segment having its best year in recent history. Perhaps the biggest news out of Berkshire in 2023 was the passing of Berkshire's Vice-Chairman Charlie Munger in late November (more on that below). While we were saddened by the news, Buffett and Munger have built Berkshire Hathaway into a financial fortress which should compound in value at a high-single-digit rate for the foreseeable future, regardless of who is at the helm.

Finally, our payment networks, **American Express** (AXP) +26.8% and **Visa** (V) + 25.3%, significantly contributed to our performance in 2023. Both companies benefited from the continuing post-COVID global travel and consumer spending rebound. We love the economics of the payments industry, which is supported by the long-term secular decline in the use of cheques and cash. We suspect these stalwarts will be in our portfolio for years.

Our second largest laggard was **Elevance Health** (ELV) -8.1%. Elevance's financial performance was strong throughout the year, and the company should report record earnings following its Q4 release. Elevance continues to compound its intrinsic value at a double-digit pace, and we are happy to own the company at its current valuation despite last year's selloff.

Overall, 2023 was a good year for the Value Fund. We added two new companies to the portfolio, both of which we hope to hold for the long term. In November, we released an in-depth report on our purchase of **Compagnie Financière Richemont SA** (SWX:CFR), which lays out our investment thesis. Richemont has performed well through the first half of its fiscal year, and we were delighted to be able to purchase a company of this quality at a reasonable price. The second new position was added to the portfolio in Q3, and because we are still accumulating shares, we will defer the discussion to a later date.

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The Value Fund finished the year +14.1% (net) with a 4% cash position and nearly $20 million of unrealized gains on its $50 million of equity investments. Our average portfolio turnover for the past five years has been 15% (which implies an average holding period of over 6.5 years). Choosing stocks carefully and for the long run has allowed us to minimize transaction costs and defer the triggering of capital gains for our clients while prudently compounding their capital.

Additional portfolio disclosures, including performance statistics, can be found on the pages immediately following this letter. Upon the completion of MNP's audit of the Value Fund's financial statements in March, we will provide clients with a more detailed snapshot of the entire portfolio at year-end. There were no changes to our top 10 holdings from the prior quarter.

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.	Financial Services
Vertex Pharmaceuticals	Healthcare & Pharma
Visa Inc.	Technology

* As of December 31, 2023. The Value Fund's holdings are subject to change and are not recommendations to buy or sell any security

Farewell, Charlie

In late November, Charlie Munger passed away just one month shy of his 100th birthday. In recent years, when making my annual pilgrimage to Omaha for the Berkshire Hathaway Annual Meeting, I thought it might be the last time I saw him. But I'm not sure that I truly believed it.

In a lifetime, only a handful of people outside of your immediate family impact you deeply. For me, Charlie was one of those special people. Charlie was a true Renaissance man. The breadth and depth of his knowledge, his multidisciplinary mental model approach to life and his innate curiosity always resonated with me.

I can't adequately describe how much his shared wisdom taught me about investing and life (the kids and I even named our family dog Charlie: sorry, Warren!). But perhaps I can share a few of the more meaningful things I learned from him. As Charlie once said, the best thing a human being can do is to help another human being know more.

With a razor-sharp mind and an equally sharp tongue, Charlie was Warren without the filter. He certainly didn't suffer fools gladly. But if you watched closely, you would see signs of his midwestern upbringing. He often flew coach—despite his billionaire status—so as not to lose touch with the average person. He knew dynastic wealth could ruin his children, so he fought against its pernicious effects by living in the same house for 70 years. Wealth gave him the freedom to live life on his terms. But he was thoughtful about how he used it and gave much of it away. Wealth doesn't change a person's character. It magnifies it.

Hard work, intelligence, and grit are all significant contributors to success in life. But Charlie possessed just enough humility to acknowledge that the role of luck—both good and bad—is often underestimated. The story below drives home the point.

IT'S 1931, AND A BOY and girl, both about seven years old, are playing on a swing set on N. 41st St. in Omaha. A stray dog appears and, without warning, charges. The children try to fight the dog off. Somehow, the boy is unscathed, but the dog bites the girl.

She contracts rabies and, not long after, dies. The boy lives.

His name? Charles Thomas Munger.

Charlie Munger, the brilliant investing billionaire who died on Tuesday in a California hospital 34 days before his 100th birthday, told me that story when I interviewed him last month. I'd asked the vice chairman of Warren Buffett's Berkshire Hathaway: What do you think of people who attribute their success solely to their own brilliance and hard work?

"I think that's nonsense," Munger snapped, then told his story, which I can't recall him ever publicly recounting. "That damn dog wasn't 3 inches from me," he said. "All my life I've wondered: Why did it bite her instead of me? It was sheer luck that I lived and she died."

He added: "The records of people and companies that are outliers are always a mix of a reasonable amount of intelligence, hard work and a lot of luck."

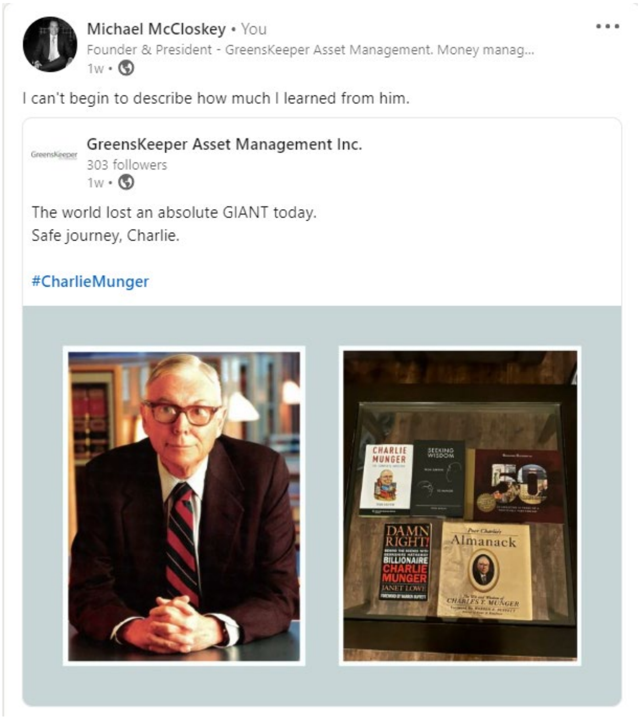
Source: Jason Zweig, Wall Street Journal

In his late twenties, Munger found himself divorced and broke. A few years later, his son developed leukemia, which was incurable at the time. While his son lay dying in the hospital "inch by inch," after each visit, Charlie walked the streets alone at night and cried. Decades later, a failed cataract surgery left him with only one eye. He held no resentment towards the surgeon. Despite these hardships, by the time he passed away, Munger was a billionaire, revered by his many followers and surrounded by a gaggle of his children and grandchildren, many the fruit of his loving second marriage of 54 years.

Ill fortune, hardship and struggle are inescapable in life. You can minimize them by surrounding yourself with good people and making good decisions. But you can't avoid them entirely. We have to play the hand we are dealt in life. When these unpleasant episodes arrive, we are all presented with the same choices: wallow in self-pity, give up, or soldier on. Munger's life teaches that there is only one rational choice. Accept hardship with as much grace and equanimity as you can muster. And then power through it, knowing that it will eventually end.

Charlie was a voracious reader and lifelong learner until the end: he did his first podcast at the age of 99! There is no shortcut to worldly wisdom: knowledge, like capital, compounds over time. Progress requires putting in the work every day for decades. We all have weaknesses and blind spots and can sometimes be overcome by our emotions. Charlie was the epitome of continually working at self-improvement. He read broadly and deeply, learned from his mistakes and took on new challenges.

> In my whole life, I have known no wise people, over a broad subject matter area, who didn't read all the time -- none, zero... You'd be amazed at how much Warren reads -- at how much I read. My children laugh at me. They think I'm a book with a couple of legs sticking out.
> -- Charlie Munger



Often overshadowed by his business partner and friend of 60 years, Warren Buffett, Charlie understood that Warren needed the limelight and was prepared to play a supporting role at Berkshire. He didn't let his ego get in the way of a wonderful partnership.

For those in the know, in 1972, Munger was instrumental in convincing Buffett to purchase See's Candies for $25 million. The asking price was a few million dollars more than Warren was prepared to pay, but Charlie convinced him that some businesses are worth paying up for.

See's Candies has since returned over $2 *billion* to Berkshire. Prior to the purchase of See's Candies, Buffett focused mainly on buying very cheap stocks, often in less-attractive businesses (also known as "cigar butts"). The purchase of See's Candies marked the turning point of Buffett's investment style away from cigar butts toward high-quality compounders. And that pivot was primarily due to Munger's insight and influence on Warren.

That change, in turn, led to future investments in Coca-Cola, American Express, Apple and many other great businesses, creating hundreds of billions of dollars of value for Berkshire shareholders. Warren and Charlie *both* deserve the credit, and Charlie's contribution to what Berkshire has become may not be truly appreciated by most people.

Wise. Rational. Stoic. Ethical. Teacher. Witty. Those words come to mind when I think about Charlie Munger. But despite his many talents, Charlie was human. He recognized that, like all people, he wasn't perfect:

> "… nobody has ever accused me of being humble. Although humility is a trait I much admire, I don't think I quite got my full share."
> --Charlie Munger

Safe journey, Charlie. Boy, I am going to miss you.

Firm Update

Our team is growing, and every one of our employees has their *entire* investment portfolio invested alongside our clients. We eat our own cooking at GreensKeeper, and our approach is one of partnership.

With the additional investments we have made in our business, we have the capacity to take on new clients. If you are looking for someone new to manage your money, please give us a call.

Michael P. McCloskey
President, Founder & Chief Investment Officer

Appendix
Audited Financial Statements

(For clients only)

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