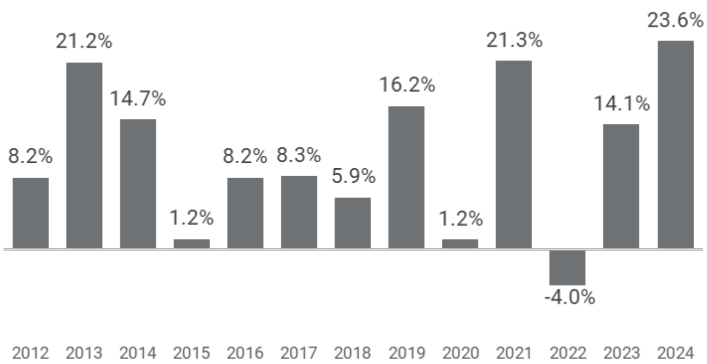
January 12, 2025

Marshmallows

The Value Fund finished the year +23.6% net of fees and expenses. We were well-positioned as the US dollar strengthened against most major currencies, including the Canadian dollar, lifting our returns by approximately 8% for the year.(1)



> Excellence isn't about occasional brilliance - it's about consistent execution.
> — Shane Parrish (Farnam Street)

We finished the year slightly ahead of the S&P/TSX +21.7%, broadly in line with the DJIA +24.8% and trailing the S&P500 +35.7%.(2) It is worth mentioning that just five technology companies—**NVIDIA** (NVDA), **Apple** (AAPL), **Amazon** (AMZN), **Meta** (META), and **Broadcom** (AVGO)—accounted for almost half (46%) of the S&P500's returns. Paraphrasing Frank Sinatra, we did it our way in 2024 by deliberately avoiding overpriced securities. We are mindful of risk and manage it by purchasing high-quality companies with a large margin of safety.

The current bull market and excitement about artificial intelligence (AI), in particular, have led to high levels of risk-taking. A notable example of unleashed animal spirits is **MicroStrategy** (MSTR), whose business model relies on raising debt and equity capital to purchase Bitcoin. Towards the end of the year, MSTR stock was trading at a 3x premium to the market value of Bitcoin on its balance sheet. We struggle to see how this won't end badly for MSTR shareholders when risk appetites inevitably contract.

As valuations in the US markets have reached elevated levels, we increasingly find ourselves allocating our capital to more attractively priced businesses domiciled elsewhere. Since late 2023, our largest portfolio additions have been high-quality global businesses headquartered in Canada, France, Israel, Switzerland and the UK. Our portfolios will *often* be heavily US-weighted (that's where most of the great companies are), but not *always*. We pivot to where we find value. **We don't follow benchmarks; we follow opportunity**.

(1) All returns and Fund details are: (a) based on Class F units; (b) net of all fees; and (c) as of December 31, 2024.
(2) Index returns are for the total return indexes, including dividends and measured in Canadian dollars, the Value Fund's reporting currency.

We remain agnostic to where our holdings are domiciled, provided that the country respects the rule of law and shareholder rights (a.k.a. “the West”). It is also worth mentioning that all but one of these latest additions to our portfolios derive their revenues from a global customer base, with minimal reliance on their domestic economies.

Our approach of investing globally provides GreensKeeper with an advantage as we can opportunistically hunt for value when local markets sell-off. For reference, the MSCI Europe index currently trades at a forward P/E ratio of 13.2x compared to the S&P500, which trades at a forward P/E of 23.4x. We spend most of our time hunting in places where stocks are cheap.

Portfolio Update

The top contributors to the Value Fund in 2024 were **American Express** (AXP) +58%, **Alphabet** (GOOG/GOOGL) +35%, **Berkshire Hathaway** (BRK.A/B) +27%, **Fiserv** (FI)+55%, and **Visa** (V) +21%. As we have discussed these positions at length throughout 2024, we will focus our commentary on a few recent investments that made a meaningful contribution to our portfolio in Q4.

Our largest contributor to portfolio returns in Q4 was **Automatic Bank Services** (SHVA) +59%. We initiated our investment in SHVA in August 2023 and haven’t previously disclosed it as we were waiting patiently for an opportunity to increase our holdings, which we did in Q3 2024. SHVA operates Israel’s local payment network, following a business model similar to portfolio stalwart **Visa** (V). SHVA holds a monopoly position in the Israeli credit card market, powered by a strong network effect of merchants and consumers transacting via SHVA’s systems. The Bank of Israel has previously encouraged Visa and **Mastercard** (MA) to enter the Israeli market. However, SHVA’s entrenched position is challenging to disrupt. Ultimately, Visa and Mastercard both chose to invest in SHVA instead, each holding a 10% stake (the maximum permitted by regulation).

Like Visa and Mastercard, SHVA’s scale leads to exceptional unit economics as additional transactions flow through their network at near-zero incremental cost. It’s an amazing business. However, a few recent challenges provided us with the opportunity to invest at an attractive price. First, SHVA was forced by Israeli regulators to separate from its sister company (inter-bank settlements operator Masab) in 2021. The separation resulted in increased overheads, additional capital spending on technology and increased headcount. The separation costs temporarily reduced SHVA’s margins, leading to a stock price decline as we started a position in the company. As we anticipated, the company raised its prices to compensate for its increased operating costs.

Fast forward two years, and more bad news arrived in the form of the 2023 Israel-Hamas war. The conflict resulted in lower transaction volumes across SHVA’s card network, putting temporary pressure on SHVA’s revenues and profits. However, with the company’s $47 million cash balance (no debt) and highly profitable business model, there was no question that SHVA would weather these challenges. We used the second sell-off as an opportunity to increase our position in September 2024.

Israel’s economy is gradually returning to growth, and SHVA’s revenues and profits are reaching all-time highs. Following a strong Q3 report, the market finally took notice of the company’s earnings power, and the stock re-rated and is now closing in on our estimate of its intrinsic value. We suspect SHVA will continue to compound at attractive rates in the years ahead. We thank fellow VALUEXer Shmuel Goldberg for bringing this gem of a company to our attention.

Recent portfolio addition, **Lululemon Athletica** (LULU) +45% was the second largest contributor to the Value Fund in Q4. As many fellow Canadians know, LULU has built an incredible brand by selling high-quality athleisure apparel. From its humble beginnings as a niche brand targeting Canadian yoga enthusiasts, LULU has expanded to selling a broad range of functional apparel across the United States, Europe, and Asia while adapting to fit local cultures.

LULU has consistently gained market share in North America, growing from less than a 3% share in 2017 to a 6.3% share in 2024 – second to only **Nike** (NKE). This growth has come remarkably efficiently, with returns on invested capital averaging 51% over the past 10 years. The company controls the customer experience by owning its retail stores (wholesale represents less than 10% of sales). At $1,608 in sales per square foot in 2023, LULU sits atop the rankings for real estate productivity across apparel retailers in the US. Owning distribution also allows the company to manage the brand and avoid discounting.

After a weak summer season driven by self-inflicted assortment missteps and a challenged US consumer, investors believed LULU's best days were behind it as the stock declined 54% from its December 2023 peak. After a deep dive into the company, we came to a different view. With ample room to expand across Asia and Europe (markets that are as profitable as North America), the company should be able to increase its store count for years to come. Additionally, brand awareness remains low in the US at 31%. As LULU continues to improve its product breadth and menswear penetration (currently 23% of sales), we expect same-store sales to trend upwards. We thought the stock offered us many ways to win, and we initiated a position at the start of October at $264. Following a strong Q3 report, the stock quickly re-rated and now trades at $395.

While the quick +50% gain and adding another Canadian-domiciled company to the portfolio are great, what gets us really excited is our view that the intrinsic value of LULU's business should continue to grow at an attractive rate for many years. Adding a quality compounder to the portfolio at an attractive entry price is difficult and something we consistently strive to achieve.

We weren't perfect in 2024, and **Elevance Health** (ELV) -22% was our worst performer. The American healthcare insurer struggled during the third quarter as the industry grappled with healthcare costs rising significantly above historic levels. On the government side of the business (Medicaid, Medicare Advantage), reimbursement rates are typically set annually based on prior-year data. In periods of sharp cost increases, insurers' margins suffer due to the time lag before reimbursement rates are adjusted to reflect the new environment. ELV is working with government agencies to match costs with rates, though this will likely take another three to six months to materialize. ELV's commercial segment, which generates the bulk of the company's insurance profits, continues to grow revenues with margins comparable to historical averages. ELV has proven it can adapt to changing government regimes, and we believe it will continue to do so with the incoming Trump administration. We are comfortable with our position and feel the market is significantly undervaluing ELV compared with our assessment of the business's intrinsic value.

Another laggard for the year was **Hershey Company** (HSY) -12%. We purchased HSY in May after the stock came under pressure due to a historic rise in cocoa prices. Cocoa futures surged nearly 300% earlier this year as poor weather conditions and disease outbreaks in West Africa led to significantly reduced harvests. Commodity prices typically revert to the mean over time as farmers respond to high prices by increasing supply. However, increased regulations in Europe and Africa have left farmers hesitant to plant additional cocoa trees, keeping prices elevated. While the supply shock is lasting longer than we initially anticipated, we believe HSY will weather the storm better than competitors who face the same rise in input costs. Putting a stronger emphasis on products with lower cocoa inputs (e.g., Reese's, Dot's, Twizzlers) and raising prices are a few levers the company can pull. HSY leads the US chocolate aisle with a 36% market share and has been consistently gaining share over the past decade. With a pristine balance sheet and a strong management team, we believe HSY will maintain its leadership position as it waits for supply costs to normalize.

Overall, 2024 was another strong year for the Value Fund. We added three new companies to the portfolio: LULU, a starter position in luxury giant **LVMH Moët Hennessy Louis Vuitton** (MC.PA/LVMU) and HSY. We fully exited **Cisco Systems** (CSCO) as we thought the company was fully valued and were finding more attractive opportunities for our capital.

The Value Fund finished the year +23.6% (net) with a 1.5% net cash position and $33M of unrealized gains on its $64M of equity investments. Our average portfolio turnover for the past 5 years has been 11.8%, which implies an average holding period of 8.5 years. One of the benefits of our low-turnover portfolio and long-term approach is its tax efficiency. Once again, we were able to shelter all taxable income within the Value Fund in 2024. As a result, there was no year-end distribution and no tax payable by Value Fund clients.

Additional portfolio disclosures, including performance statistics, can be found on the pages immediately following this letter. Upon 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 portfolio at year-end. Please see below for our top 10 holdings at year's end.

GreensKeeper Value Fund

Top 10 Holdings *	Sector
Alphabet Inc.	Technology
American Express Company	Financial Services
Automatic Bank Services Limited	Technology
Berkshire Hathaway Inc.	Insurance
Elevance Health, Inc.	Healthcare & Pharma
Fiserv, Inc.	Technology
Intercontinental Exchange, Inc.	Financial Services
Merck & Co., Inc.	Healthcare & Pharma
Vertex Pharmaceuticals Incorporated	Healthcare & Pharma
Visa Inc.	Technology

* As of December 31, 2024. The Value Fund's holdings are subject to change and are not recommendations to buy or sell any security.

The Sure Path to Riches

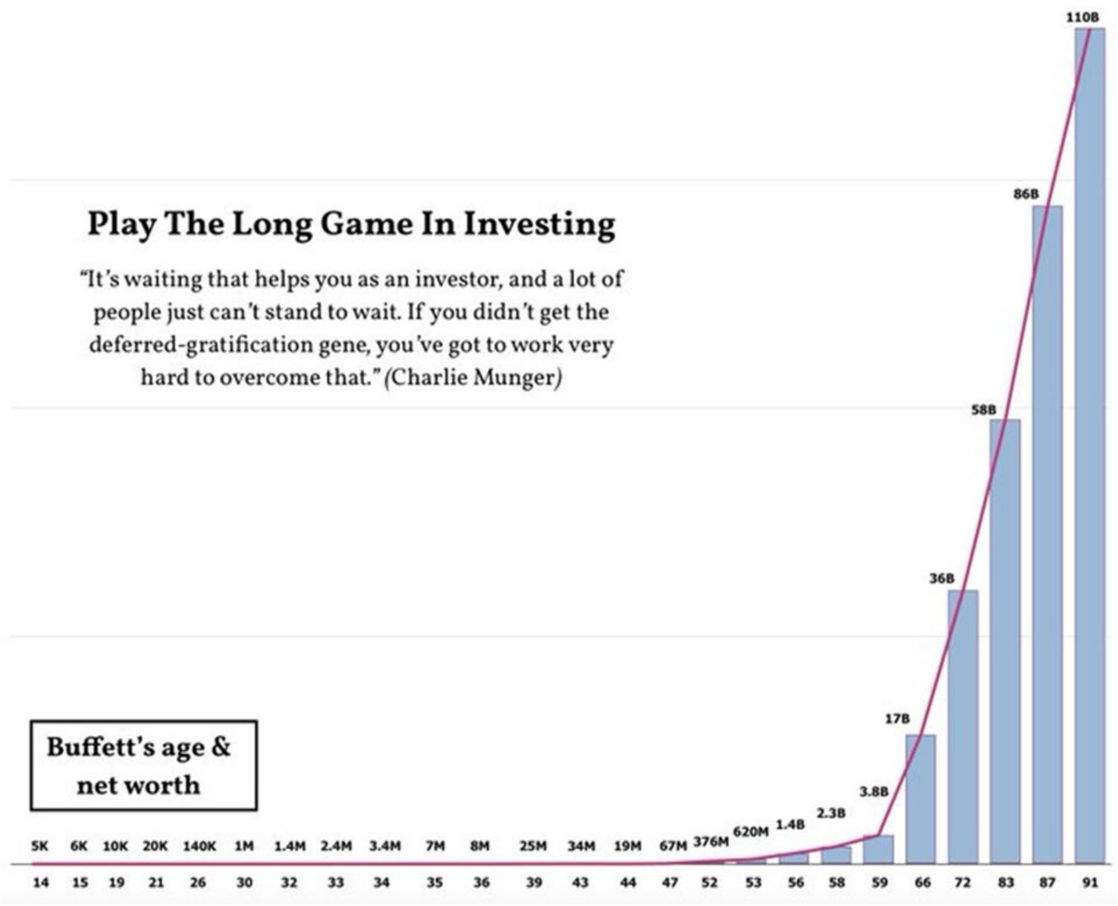
The ancient Romans had this wonderful adage: Festina lente (Make haste slowly).

The difference between long-term greatness and mediocrity isn't in the spectacular moments. Yes, they help. But most of the freight is carried by consistent execution and avoiding critical errors.(3) Large and permanent losses impacting one's portfolio put you on the wrong side of the power of compounding and are to be avoided at all costs.

The formula for getting rich over time is clear and available to almost anyone! Use debt sparingly. Consistently spend less than you earn, invest the difference prudently and let time and compounding work their magic. But deferred gratification is hard, as demonstrated by the Stanford Marshmallow Experiment. As Shane Parrish said on a recent podcast, many people can't help themselves and ask for trouble when they try to rush things.(4) Instead of following the sure path, we seek a life hack in today's modern world of social media and short attention spans. Speculative assets like Bitcoin are a prime example.

(3) Inspired by Shane Parrish's free weekly *Brain Food* blog, which we highly recommend: https://fs.blog/brain-food/november-24-2024/
(4) Inspired by The Knowledge Project Podcast Episode #208: Ryan Holiday: How to Win the War with Yourself: https://fs.blog/knowledge-project-podcast/ryan-holiday-3/

I can't recall the source, but someone once remarked that the real money is in the tail. This means that the power of compounding can lead to mind-blowing results in our later years. Despite being educated in mathematics and finance, I still find myself occasionally surprised about how capital compounds. The human mind has evolved for linear thinking and struggles with power laws. Charts can help:



Source: Twitter/X @ReneSellmann.
https://x.com/ReneSellmann/status/1759614059165413403

As you can see, Buffett accumulated almost all his net worth **after age 60!** Even more remarkable is that these mind-blowing figures don't include his donations to various charities over the years. By our math, his original holdings in Berkshire Hathaway (BRK.A) alone would be worth over $315 billion. Remarkable.

If you're looking to make a financial New Year's resolution, here's one to try: Avoid the tempting siren call of speculative assets that are hot at the moment and instead invest prudently in cash-flow-generating businesses with sustainable competitive advantages (moats) that position them to grow their earnings over time. It may sound simple, but as the Stanford Marshmallow Test shows, deferred gratification is not easy for our species.

P.S. The same compounding formula works with knowledge. Keep investing in yourself!

> Spend each day trying to be a little wiser than you were when you woke up. Discharge your duties faithfully and well. Step by step, you get ahead, but not necessarily in fast spurts. But you build discipline by preparing for fast spurts. Slug it out one inch at a time, day by day, and at the end of the day — if you live long enough — like most people, you will get out of life what you deserve.
>
> — Charlie Munger

Q4 Zoom Town Hall and Annual Report

On **February 19 at 7:00 p.m**., we are adding a new event to our annual calendar: a Zoom video Town Hall where we will discuss last year's results, our view of the current market environment and other investment-related topics. Michael Van Loon and I will highlight a few of our investments and take questions from the audience. We would also welcome any suggestions for topics you would like us to address on the call or questions you have. Feel free to email me directly at michael@greenskeeper.ca with your thoughts.

Clients and friends of the firm are welcome to attend, and we encourage you to invite others who may be interested in learning more about how we invest at GreensKeeper. For non-clients, please email Michelle Tait at michelle@greenskeeper.ca to request an invitation with all the details.

Upon completion of MNP's annual audit of the Value Fund in March, clients will receive a copy of the Annual Report, which includes the details of the entire portfolio and the audited financial statements.

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I think it is important to remind readers that GreensKeeper's employees have their entire portfolio invested alongside the firm's clients (in my case, it's the bulk of my net worth). Perhaps you would like to join our growing client base. If so, please give me a call.

It has been another great year. Thank you for the opportunity to grow your wealth alongside our own.

Happy New Year!

Michael P. McCloskey
President, Founder & Chief Investment Officer

GreensKeeper Value Fund
Performance as of December 31, 2024

GreensKeeper ASSET MANAGEMENT INC.

Fund Overview

The fund invests in a concentrated portfolio (15-20 stocks), primarily in equities from any sector and market capitalization.

Fund Details

Load Structure	No Load
Perf. 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
Redemption	Monthly on 30 days' notice
Distribution Frequency	Annually (December)

	Class A	Class F*	Class G**
Fund Codes	GRN 101	GRN 105	GRN 107
NAV	$27.33	$29.34	$25.10
MER (%)	1.8%	1.3%	< 1.8%
Min. Initial Investment	$150,000	$150,000	$1 million

Fund Distributions ($/Unit Class A)

2016 - $0.5416	2017 - $0.0000	2018 - $0.5752
2019 - $0.5626	2020 - $0.0000	2021 - $0.0000
2022 - $0.1440	2023 - $0.0000	2024 - $0.0000

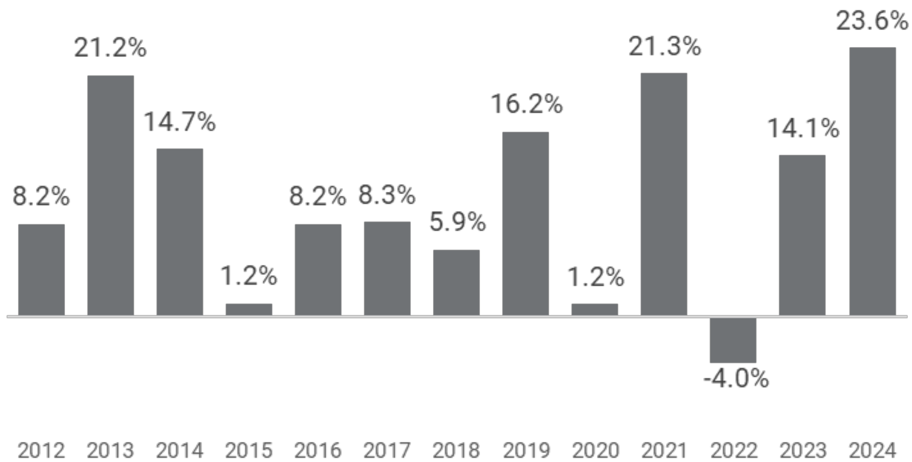
Service Providers

Investment Manager	GreensKeeper ASSET MANAGEMENT
Admin. and Registrar	SGGG FUND SERVICES INC.
Auditor	MNP
Custodian	NATIONAL BANK INDEPENDENT NETWORK
Legal Counsel	BLG Borden Ladner Gervais

Portfolio Performance (Class F)

Growth of $1,000,000

Calendar Year Returns

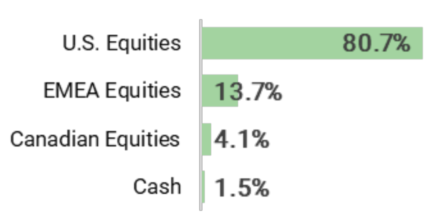


Annualized Compound Returns

	1 MO	YTD	1 YR	3 YR	5 YR	10 YR	Inception
Value Fund	1.0%	23.6%	23.6%	10.7%	10.7%	9.3%	10.3%

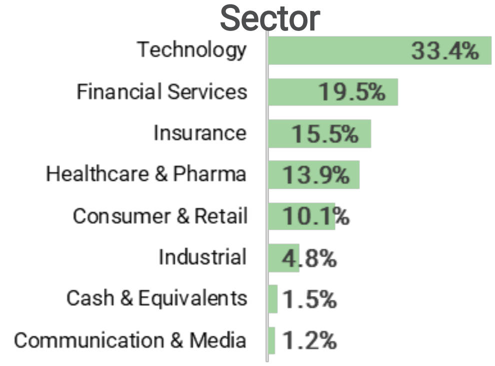
Portfolio Allocations

Asset Mix*



*based on corporate domicile

Sector



Testimonials

Don't just take our word for it. See what our clients are saying:

"My wife and I began investing in GreensKeeper in 2023 after decades in mediocre mutual funds. After hearing Michael on a podcast, we were intrigued by his Value Investing strategy, and we like that our investments are in the same ones he puts his own family investments in. Michael and his team are very customer-focused and communicative. We are very glad to be a part of the GreensKeeper family and its growth and success."

Doug S.
Vice President

"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 R.
Anesthesiologist

"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 B.
President & CEO

The preceding 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.

The GreensKeeper Team

Michael McCloskey
Founder & CIO
michael@greenskeeper.ca

Rob McMullan
Chief Revenue Officer
rob@greenskeeper.ca

James McCloskey
Private Client Sales
james@greenskeeper.ca

Michael Van Loon
Financial Analyst
mvanloon@greenskeeper.ca

Michelle Tait
Executive Assistant
michelle@greenskeeper.ca

What Makes Us Different

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 most of his family's net worth invested alongside our clients. Does your IA have their own money invested alongside yours?

Owner Managed

Our clients deal directly with the people making the investment decisions. Do you know who is managing your money?

Disclosures

(1) All returns are as of December 31, 2024, for Class F Units. (2) GreensKeeper Asset Management Inc. (GKAM) assumed the investment management responsibilities of the Value Fund on January 17, 2014. Before 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 F monthly returns since inception. The risk-free rate was calculated using the 90-day CDN T-bill rate. Class F Units are available to purchasers participating in fee-based programs through eligible registered dealers. ** Class G Units are for purchasers who have over $1 million managed by GreensKeeper and enter into a Class G Agreement with us. Class G Units are not charged a management or performance fee by the Fund as Fees are paid directly to the Manager under 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. Investing 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 may all be associated with an investment in the Funds. The fees and expenses charged 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. GKAM has compiled this document 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 and 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 in this presentation are based on, *inter alia,* forward-looking information that is 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; 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 expressly 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.