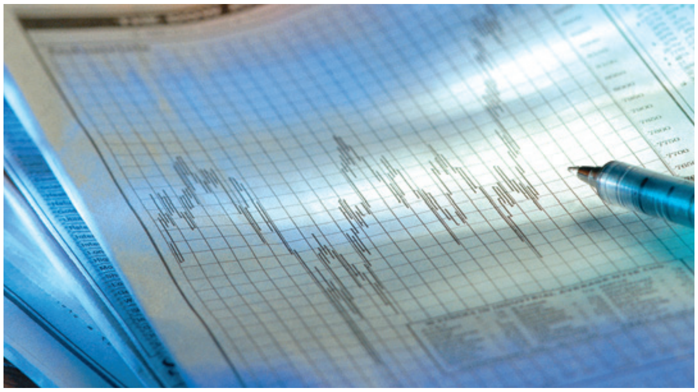
GFI Investment Counsel Ltd.
Preserving and growing family capital™

GoodQuarter

SPRING 2015



IN THIS ISSUE

"Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future." — Warren Buffett, 1980 Letter to Shareholders in relation to stock market prognosticators

Dear Valued Client,

Over the past three years, when meeting both clients and prospects, we have often been asked two questions, "Don't you think the stock market can only go down from here?" and "Is this the right time to invest?" Our answer is always the same and falls along the lines of, "We have never met a rich market timer, but we do know many people who have created large amounts of wealth by holding quality assets for a long time." The story never changes. We would all like to be able to call the tops and bottoms of the stock market, but history has shown that attempting this feat only lowers long-term investment returns.

Our equity model, composed of 100% stocks, has an annualized rate of return over the last three years of 25.1%. At that rate of return, money nearly doubles in three years. Had we attempted to time the market and missed these three years, we would have missed out on an unprecedented period (please note that we do not expect our equities to return 25.1% per year). Even if markets were to correct, say, 25% over the next year, the buffer created over the previous three years' returns would still result in a four-year compound annual rate of return of over 10%. This is a very healthy long-term rate of return. As the proverb states, you need to make hay when the sun shines. Since we don't know when the sun will shine, it's best to always be in a position to make hay. And know that occasionally it will indeed rain.

We are very pleased to announce that Fuyumi Yokura has joined the GFI team. Fuyumi comes to us from a boutique investment bank with a background in compliance and operations. Congratulations are also in order for Ram Bindra, who has worked at GFI part-time for the past four years and has graduated from York University. Ram will begin working full-time at the end of April and expands the GFI team to eight individuals.

Thank you for your continued support. We are always available if you would like to discuss your investments or any other matter.

Daniel Goodman, CFA
Chief Executive Officer

Effie Wolle, CFA, MBA
Chief Investment Officer

The Buy Side

GFI recently purchased MSCI Inc. ("MSCI") for client accounts. MSCI provides investment tools including index data and software to institutional money managers across the globe. The company serves 98 of the top 100 global asset managers and earns the majority of its revenues either through a subscription service or as a percentage of the assets from clients using its benchmarks.

MSCI

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MSCI exhibits nearly every characteristic we look for in an investment. The use of index benchmarks is increasing every day as a growing number of institutions compare their performance to various benchmarks. Those benchmarks are also widely used in the growing exchange-traded funds (ETF) industry. The company, using its namesake, has one of the most recognized brands in the benchmark industry. Additionally, the company sells software systems to clients that provide risk analysis and portfolio analytics.

Over the past several years, MSCI has been hiring additional sales professionals and building out its capabilities, and we expect continued strong revenue growth without the corresponding growth in expenses. This operating leverage should drive future earnings meaningfully higher. ValueAct Capital, a large institutional investor in MSCI, has recently appointed three nominees to MSCI's Board of Directors to ensure that expense discipline and strategic oversight are present at the board level.

The company's recurring revenue business model boasts client retention at a rate of 90%. The company's capital allocation is currently focused on share repurchases as well as a small dividend. Given our expected operating earnings growth for MSCI, the company can aggressively buy back its own shares and maintain a strong balance sheet. The company earns a return on equity near 20% and has an asset-light business model.

We are excited to own this business over the coming years as the company improves its margins, controls expenses and continues to provide clients with excellent products. We believe MSCI will earn meaningfully more income in the future.

Private Equity vs. Public Equity

We often state that our approach to buying public companies resembles the private equity approach to finding best-in-class investments. While this may be the case, there are ways in which our approach differs.

In most cases, private equity investors gain control of the company in which they invest. We however, do not gain control and deal with the various controlling shareholders, boards or management as the case may be. This makes liquidity more important for us.

We ensure the businesses we invest in always maintain a conservative balance sheet, thereby providing a margin of safety for us as investors.

The concept that private equity is a different asset class or less volatile than public equity is often discussed at GFI. Essentially, private equity is identical to publicly traded businesses. They both represent equity ownership in the earnings, assets and cash flow of a business. Simply because a business is privately held does not mean that it is a different asset class. In fact, a more highly indebted company, which most private equity investments are, has more volatility associated with its equity (all else being equal). The company's private structure does not introduce more or less risk, although it can make exiting the investment more difficult. Private equity practitioners who imply their companies' stock is "less volatile", while also being more levered, are misleading investors.

Generally speaking, private equity seeks to buy companies with reliable cash flows since they prefer to finance as large a portion of the purchase price as possible with debt. We invest in a similar manner, looking to invest in companies that generate strong cash flows and are available at a reasonable price. Where we differ is that we ensure the businesses we invest in always maintain a conservative balance sheet, thereby providing a margin of safety for us as investors. If management were to become irresponsible with the company's balance sheet, we would use the advantage of stock market liquidity to sell our holding and move on. The liquidity of the stock market is a tremendous advantage that permits us, as investors, to change our mind and sell our investment when the facts change.

The success of a business investment is dictated by the quality of the company and the decisions that the company makes, both with its capital and in how it competes in its market and industry. Whether that business is private or public does not determine its success as an investment or how it fits into an overall portfolio. Rational and logical investing help us achieve strong returns in the private and public markets.

It's important to ensure you are comfortable with either your manager or the investment, regardless of whether or not it trades publicly. The rest will take care of itself.

GFI Investment Counsel

GFI Investment Counsel ("GFI") provides tailored investment portfolios to families, foundations, trusts and corporations. We work closely with our clients to customize investment accounts that coincide with our clients' unique requirements. GFI focuses on preserving and growing client capital through intense due diligence, focus, and discipline.

In January 2008, GFI launched Good Opportunities Fund ("the Fund"), an alternative investment fund available to accredited investors. The Fund focuses on a select group of investment opportunities that provide an attractive risk/reward dynamic regardless of asset class or market capitalization. The Fund is managed with a focus on understanding the businesses, their capital structure, and risks and opportunities.

For more information about GFI Investment Counsel or the Good Opportunities Fund,
please call **416.488.8825** or **email info@gfiic.com**.

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