GoodFunds
GFI Investment Counsel Ltd.
2 St. Clair Ave. E., Suite 1204
Toronto, Ontario M4T 2T5
Tel: 416.488.8825
Toll-free: 866.955.5300
Fax: 416.924.6986

Third Quarter 2008 Commentary – Good Opportunities Fund

The third quarter of 2008 was an extremely volatile period for global equity markets, and the Good Opportunities Fund (the "Fund") was not immune to the negative investor sentiment that came to define these three months. The Fund's net asset value (NAV) decreased to $8.21, which was a loss of 21.2% (net of all fees) over the period. The S&P/TSX Composite Index was down 18.2% over the same quarter, while the S&P 500 Index was down 9.0%. Year to date, the Fund is down 17.9%, while the S&P/TSX and the S&P 500 are down 13.3% and 20.7%, respectively. The portfolio management team added two new core positions during the quarter, and each now represents over 6% of the Fund's total assets.

As you will note in the attached fund sheet, the Fund had weightings of approximately 14% in commodities and 0% in U.S. financial institutions at the end of the third quarter. We believed we were being prudent by avoiding sectors in which we saw extreme risk and over-valuation. Unfortunately, this strategy did not protect us from the market value declines that occurred during the quarter.

The portfolio management team is committed to investing in businesses with positive cash flows and strong balance sheets. Every core position has zero net debt and is cash flow positive. While it is difficult to watch the share values of the Fund's holdings decline, we take some comfort in knowing that the underlying businesses continue to perform in line with our expectations, and that these companies are, in most cases, simply victims of the negative market sentiment that pervades the global markets.

Although the Fund's short positions were too few in number over this volatile period, we were comfortable maintaining a significant long bias until we found specific ideas we believed merited shorting. As well as our U.S. 10-year Treasury bond short position, we also have a short position in a highly leveraged U.S. retailer.

Stamps.com ("Stamps") is one of the Fund's core long positions. Although the company's full name makes it appear to be a dot.com company, Stamps' financials tell a different story. Stamps operates as one of only three companies licensed by the U.S. Postal Service ("USPS") to sell postage stamps online. We believe Stamps merits a core position because:

1. The company has a pristine balance sheet, with zero debt and over US$90 million in cash as of its last reported quarter. This represents $4.50 per share in cash. The company's shares trade at $11.50. In early 2004, the company paid a special dividend when it was in a similar cash position. We have spoken with Stamps' management team, and have confirmed the company's cash will not be used for an ill-advised acquisition. Stamps' management is considering a number of options with respect to returning cash to company shareholders.
2. Stamps operates in a triopoly; competing only with Pitney Bowes and Endicia. To be licensed to sell postage online, the USPS approval takes over two years and is a very complex process. Additional competition is unlikely in the near term.
3. The company has refocused its strategic and marketing efforts on its core business. It is currently assessing its most lucrative promotional channels and earning net returns on marketing dollars in excess of 20%.
4. The company is growing in the face of a slowing economy. The company's service is cheaper than the traditional Pitney Bowes offering, and easier and cheaper to begin using than Endicia's service.
5. Given its cash position, Stamps does not require additional capital. Management has stated its intention to remain a simple, concentrated online stamp vendor.
6. The company earns approximately 50 cents per share and has a scalable business model. Stamps also has significant operating leverage and trades at approximately 14x cash flow (net of cash on hand). The company's return on equity (net of cash) is in excess of 100%.

In closing, I would like to personally assure you that there is no risk of margin calls (we currently have 12% net cash) or redemptions affecting the positive long-term outlook of the Good Opportunities Fund. I — and other close parties — own the majority of the Fund, and we will remain the Fund's top unitholders for the foreseeable future. The Fund will also remain a long-term holder in its core positions until such time as the fundamentals of these underlying positions change. Finally, your portfolio management team will continue to search for investment ideas we feel will help position the Fund for the best-possible returns.

Thank you again for the opportunity to manage your investments. Please contact us if you have any questions or concerns.

Sincerely,

Daniel Goodman, CFA
President and Chief Investment Officer