Third Quarter 2009 Commentary – Good Opportunities Fund

The Fund gained 4.6% during the third quarter of 2009. Over this period, the S&P/TSX Composite Index gained 10.6%, while the S&P 500 Index gained 15.6% on a U.S. dollar basis. Year to date, the Fund has gained 14.4%, while the S&P/TSX Composite Index has gained 30.0%, and the S&P 500 Index has gained 19.3% (again in U.S. dollars).

Since day one, we have managed the fund with very little financial leverage of any kind. Firstly, the fund has never been more than 100% long. That is to say, we have never borrowed money to boost returns. Secondly, all the companies we currently own have zero material leverage in their capital structure. Thus, they should be less volatile and not prone to bankruptcy. How does all this matter?

As Warren Buffett has stated, "Anything multiplied by zero, is zero". In short, if we have picked our stocks well, the fund will perform well in the long term, and not suffer from any type of unseen one-time event or bankruptcy. While it is difficult to sit through the volatility of late and not materially outperform, we are confident in our approach and remain committed to it. If our strategy has faults, it is clearly on the conservative side, and with that, we can sleep at night.

We have made mistakes through the first 21 months of the fund's existence. The largest mistake, which represented approximately 15% of our losses since inception, was the handling of our investment in Premier Exhibitions. While the initial thesis of our investment was sound, when the facts on the ground changed, we did not react accordingly. Premier Exhibition's management and financial condition changed materially, and we did not act aggressively enough with this new information. Although a very costly mistake, we have already learned and benefited from that knowledge.

We have made alterations to our investment approach. Firstly, while we are confident in our concentrated approach, we consider a 10% portfolio position (at cost) to be our maximum weighting. Secondly, our individual short positions, with few exceptions, will be kept to a 4% maximum. Both of these changes will reduce volatility.

Throughout the summer months, we purchased common shares in Jean Coutu. Jean Coutu, a Quebec based pharmacy, is structured as a franchisor, producing income streams through royalties, rent and distribution revenues. In addition to its operating earnings, the company owns significant real estate assets which we believe are not being valued by the general public. The company also holds a 30% ownership stake in Rite Aid, a U.S. based pharmacy which is currently undergoing a major turnaround.

While we do not generally invest based on a macro theme, we are always pleased when our detailed approach aligns with our general view of an industry. In this specific case, we are pleased to own a business catering to the aging baby boomer population which we see growing consistently in the coming years.

A large portion of the fund is personal capital. I can assure you that I will not succumb to the temptation of making outrageous bets on leveraged companies who only a short nine months ago were candidates for bankruptcy. This fund and its management will act with discipline. Over the long term I believe this approach will lead to investment success.

We thank you again for the opportunity to manage your investments and ask that you please contact us if you have any questions or concerns.

Sincerely,

Daniel Goodman, CFA
President and Chief Investment Officer