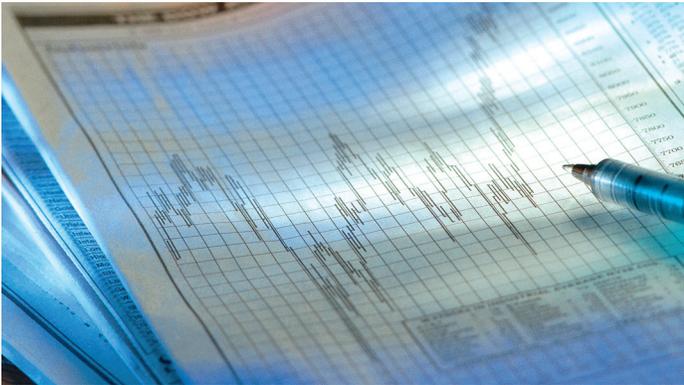


# GoodQuarter

SUMMER  
2012

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Dear Valued Client,

*“The stock market is filled with individuals who know the price of everything, but the value of nothing.”*

– Philip Fisher

Another quarter has passed, and we are fortunate and proud to again highlight our continued record of capital preservation and growth. Both your equity and bond holdings increased in value over the first six months of 2012, through a very challenging market environment that was dominated by headlines regarding Europe’s sovereign debt and banking issues. These concerns, coupled with the lingering effects of the 2008 credit crisis, have contributed to heightened global equity market volatility. Our relentless approach to seeking out and investing in what we believe to be high-quality opportunities continues to serve our clients and has protected client capital since GFI Investment Counsel’s inception.

We were active during the second quarter of 2012, and added both corporate bonds and preferred shares to client portfolios. We continue to favour fixed income investments with terms to maturity of three to eight years. With respect to equities, we sold our investment in EnCana Corp. common shares and purchased Visa Inc. Please see our article on page 2 for additional details on this investment decision.

As mentioned in our previous newsletter, Monica Marchand recently joined GFI Investment Counsel on a full-time basis. We also hired Ramninder (“Ram”) Bindra as a summer research analyst. Ram has a strong understanding of value investing, business fundamentals, and the characteristics of an attractive investment. Ram and Monica are part of a team that is fully dedicated and focused on providing excellent investment results and an unsurpassed client experience.

If there is anything we can assist you with, please don’t hesitate to contact us.

Warm regards,

Daniel Goodman, CFA  
President and Chief Executive Officer

Effie Wolle, CFA, MBA  
Vice President, Investments

## Visa versus EnCana

EnCana Corp. (EnCana) is one of the largest natural gas producers in North America and a large landholder at many of the continent's most prolific new shale deposits. The discovery of enormous amounts of natural gas across North America has left gas prices depressed, and some experts believe prices will remain low for years to come. Other experts believe natural gas prices will rise in response to the eventual export of liquefied natural gas ("LNG") and as producers begin to taper back supply.

As we often remind our clients, we know what we do not know. Given the uncertainty of gas prices, the capital-intensive nature of the energy business and, most importantly, the availability of alternate investments that may offer stronger long-term results, we decided to sell our holdings in the common shares of EnCana and subsequently purchase the common shares of Visa Inc. (Visa).

Visa is the world's largest electronic payments network. The company has a world-class brand, limited competition and a superb business model. Visa does not issue credit to consumers. Rather, the company allows banks to offer its clients credit and acts as an authorizer, clearer, and settler of financial transactions. Visa's customers are the banks that offer Visa-labelled credit cards to their customers.

Visa has been financed conservatively, has a tremendous amount of operating leverage, and has a well-established competitive advantage that is difficult to replicate. The company pays a modest dividend that we believe will grow handsomely over time.

Visa is going through litigation regarding pricing and competition that is being fought across various jurisdictions. We believe that litigation headlines may have an impact on the company's share price in the short term. Longer term, however, we believe a reasonable solution will be found and you, our clients, will prosper from this investment for years to come.



## Investing versus gambling

We are fortunate to have clients that appreciate our investment approach and recognize that focusing on the long term, insisting on purchasing only quality businesses, and patience are integral to investment success. What we often find puzzling is how some investors, often successful business operators, treat the stock market as a casino. Within their own company, the owner focuses on running the business – including satisfying customers, increasing profits, and achieving operational excellence. That same individual, however, loses all sense of discipline when it comes to investing in the stock market. They focus on “hot tips,” recent headlines, or the latest investment fad — instead of focusing on the important characteristics that make a business and, hence, an investment successful.

What is it about the nature of auctions that cause logical people to act illogically? The stock market, simply defined, is a market for businesses. It offers two unique attributes. Firstly, it allows us to purchase small ownership stakes in a company and, secondly, it offers us immediate liquidity (for the most part). What should really be two benefits are turned into liabilities when investors act out of greed and fear, rather than common sense and rationality.

The stock market moves for many reasons, which include liquidation pressure, computerized trading, and the aforementioned fear and greed. As a result, occasionally the price of a traded business will become misaligned to its real economic value.

At GFI Investment Counsel, we spend our time researching the competitive landscape of our chosen industry, the strength of our holdings’ balance sheets, and these holdings’ competitive advantages. Our time is spent discussing business fundamentals and analyzing company financials, rather than trying to predict the next stock or industry that will be the flavour of the day.

We believe that learning from our previous successes and failures, as well as investing with discipline, has contributed to our investment success and should continue to drive our success going forward.



## GFI Investment Counsel and GoodFunds

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 the Good Opportunities Fund (“the Fund”), an alternative investment fund available to accredited investors. The Fund is the first in the “GoodFunds” series of investment products. 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.

The highest compliment you give us is the referral  
of family, friends, and business associates.

If you know anyone who would benefit from working with GFI Investment Counsel,  
please refer them to our office, call us at 416.488.8825, or email us at [info@gfiic.com](mailto:info@gfiic.com).  
Additional information can be found on our website at [www.gfiic.com](http://www.gfiic.com).

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



**GFI Investment Counsel Ltd.**

*Preserving and growing family capital™*