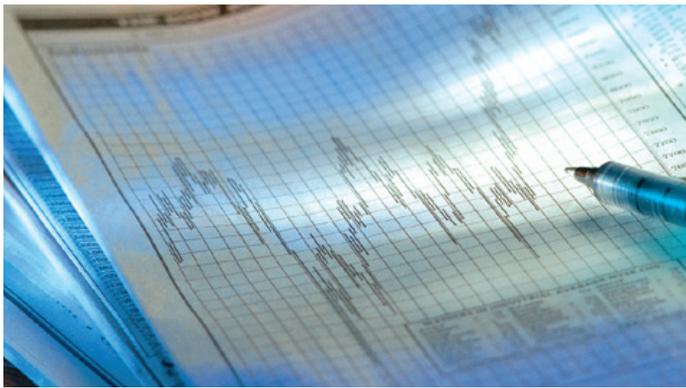


# GoodQuarter

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*“An investor cannot decide to think harder or put in overtime in order to achieve a higher return. All an investor can do is follow a consistently disciplined and rigorous approach; over time the returns will come.”* — Seth Klarman, *Margin of Safety*, Page 85

#### Dear Valued Client,

Since our founding in 2007, we have followed a methodical approach to managing your money. This stems from our belief that avoiding a permanent capital impairment is of paramount importance to investing success. The volatility of stock prices is impossible to predict or control, but the quality of a business and its sustainability are areas that fall within our circle of competence. We prefer to focus on a potential investment's downside, as opposed to focusing on the question of: “How much can I make?”

The first quarter of 2014 saw one change to our client accounts' equity holdings. In early January, we sold our holding in Fortis Inc. and purchased Whistler Blackcomb Holdings Inc. We are excited about the long-term prospects for Whistler Blackcomb and provide more in depth explanation of our investment rationale in an article on page 2.

Clients whose assets are custodied at TD Waterhouse Institutional Services will be migrating over to National Bank Correspondent Network in mid-June. Clients should expect increased mail correspondence from National Bank in the coming weeks, specifically introducing the new trustee, as well as new account numbers. **Clients will not be required to do anything during the transition.** That said, if you have any questions at all about the process, please feel free to give us a call.

Warm regards from the entire GFI team. We hope you enjoy the improving weather!

Daniel Goodman, CFA  
President and  
Chief Executive Officer

Effie Wolle, CFA, MBA  
Vice President and  
Co-Chief Investment Officer

# The Buy

## *Looking for a lift?*

We recently purchased Whistler Blackcomb Holdings Inc. The company operates a world-class ski resort and affiliated retail operations, and has significant barriers to entry. Whistler Blackcomb's ski resort is often ranked as the best ski destination in the world, and provides terrain for both beginners and experts. Whistler Blackcomb's combination of local skiers (within a 500 kilometre radius) and those who are willing to make the long-distance trip provides the company with revenue diversification.

The company has significant operating leverage, as each additional skier is serviced at a marginal additional cost. Whistler Blackcomb recently reduced its interest expense by refinancing the company's debt facility. This gives management the option of improving its facilities and growing revenue, as well as possibly increasing the

company's already reasonable dividend. The company has growth possibilities as it improves its facilities at the mountain for both winter and summer months (summer visits actually outnumber those during winter months).

The company has been able to increase prices regularly and, by our math, has increased rates nearly 5% annually over the past decade. A business that can comfortably raise prices year-after-year and displays little price elasticity creates superb returns over the long run. Even during periods of low snowfall, revenue decline is marginal, skier visits are relatively stable, and the company has shown that it can comfortably withstand a poor ski season. While we are happy to see good snow conditions, we know that, over time, snow conditions will approach the average, and that pricing power and quality of skier experience is most important for Whistler Blackcomb's long-term success.

Whistler faces zero obsolescence risk and enjoys excellent pricing power. We are excited by Whistler Blackcomb's quality of assets, growth potential and valuation.



# Perpetual learning — A critical look back at our investment decisions

## *How have some sold investments performed?*

Charlie Munger, Warren Buffett's long-time partner at Berkshire Hathaway, has suggested that to succeed in life, one need be a "learning machine." While trade activity at GFI is minimal relative to most of our competitors, reading, research and learning is a constant in our office. We thought we would review some of the portfolio changes we have made over the past five years to see what has transpired since we made these changes.

We sold TransCanada Pipelines, as we believed we could replace the investment with an opportunity that had greater potential. We purchased Tim Hortons Inc. with the proceeds and, to date, Tim Horton's operations and stock price have continued to grow.

Last year we sold our gold proxy, GLD, and purchased TD Ameritrade. We believe that a productive asset that both pays a growing dividend and increases in value will, over the long term, provide greater returns than gold. It has only been a short time period since the change, but we are pleased with the results thus far of TD Ameritrade - in both absolute terms and relative to GLD.

We sold Shaw Communications Inc. several years ago, believing that the lack of a wireless offering and increased competition would eventually narrow the company's competitive advantage. The company has seen significantly increased competition from Telus in its home market, although its stock price has performed reasonably well.

GFI sold IGM Financial Inc. several years ago as we believed margin contraction in the mutual fund sector would eventually affect the company's bottom line.

Since our sale, the company has indeed reduced management fees marginally. We believe there is more to come, but the stock has performed reasonably well regardless.

We sold Canadian Helicopters Income Fund (now HNZ Group, Inc.) believing that too large a portion of its revenue and income was attained from the U.S. military/government complex. While that is true and

the company's revenue has decreased significantly, the management team has done an excellent job managing the business and diversifying its customer base. The stock has performed admirably since our sale.

In 2012, we sold Encana Corporation and purchased Visa Inc. for client accounts. Encana's strategy seemed to be changing each time a commodity it produced increased or decreased in price. We did not have confidence in Encana's management and purchased Visa Inc. as a replacement. Visa's growth has been superb and the stock price has risen considerably.

Our decision to sell one business and replace it with another is debated exhaustively. Often our thesis for selling takes longer to materialize than we realize. An increase in competition or questionable management decisions take time to bear fruit and sometimes that may take longer than we expect. We prefer erring on the side of caution, however, and will remain cautious going forward.

Given our focus on 15-20 businesses for client portfolios, we are careful to choose what we believe are the best investments for the long term.

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## 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@gfic.com](mailto:info@gfic.com)**.