



GFI Investment Counsel Ltd.

Preserving and growing family capital™

"Our stay-put behavior reflects our view that the stock market serves as a relocation center at which money is moved from the active to the patient."

Warren Buffett, 1991 Letter to Berkshire's Shareholders

Fourth Quarter 2016 Commentary

Good Opportunities Fund

The Fund generated a return of 2.4% over the fourth quarter of 2016 and gained 7.6% over the calendar year. In this letter, we highlight an approach gaining momentum in the investment industry that we believe erodes client capital, the trend away from common-sense investing and toward short-term trading and speculation.

Smith & Wesson

Short-term thinking in action

Smith & Wesson Holding Corporation ("Smith and Wesson", since renamed) is an American firearms manufacturer. Each election cycle, the firearm manufacturer's stock price volatility heightens because of the perceived differences between the two parties' fondness for the second amendment ("the right to bear arms"). Although the Fund does not own Smith & Wesson, we were fascinated by the company's stock price, specifically on the day after the election.

We believe it is safe to assume that, in the long run, firearms manufacturers have the potential for decreased sales under a Democratic president and increased sales if the presidential office is held by a Republican. Thus, it is fair to further assume that a Republican candidate would be "good" for firearm manufacturers' next four years of sales, and maybe a little weak in the coming months as the "need" to purchase a firearm before the presidential inauguration decreases. As a corollary, a Democratic presidential victory would mean an immediate uptick in sales, as customers fear an increase in gun control legislation and a decrease over the next four years.

As long-term investors who tend to focus on a business's prospects in terms of decades (not days), it was alarming that after a Republican presidential victory, and Republican control of both houses, the stock price of Smith & Wesson declined by 15%. Investors or, more likely, short-term-oriented traders showed more concern about the company's financial results for the final two months of the quarter, as opposed to the positive news for the four years to come. This short-term investment approach applies the wrong incentives for corporate management and erodes investor capital.



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We believe that our investment approach, which looks beyond the current quarter or year, has been and will continue to be one of our most important competitive advantages.

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
President and Chief Executive Officer

Effie Wolle, CFA
Chief Investment Officer

A redemption charge may be charged on units tendered for redemption within the first year following their purchase at the rate of 2.5% during the first 90 days, 2% during days 91-180 and 1% during days 181-365. See "Redeeming Units - Short Term Trading Fee" in the Fund's Offering Memorandum.

The above performance figures are net of management fees and performance fees. Please review the Good Opportunities Fund Offering Memorandum for detailed descriptions of strategies, objectives, and risk factors. The above is provided for informational purposes only and is qualified in its entirety by the Fund's Offering Memorandum. Past performance may not be indicative of future results and there is no assurance that any of the Fund's investment objectives will be met.

We have cited a common index used in Canada for general comparison with our fund. However, our fund may not necessarily be representative of the index used and the volatility of our portfolio may vary substantially compared to this index for reasons which include, but are not limited to: (i) our fund may hold or have held a larger percentage of small cap securities and a higher concentration in specific securities and industries; (ii) our fund may use short selling and leverage strategies and hold private investments.

The S&P 500 (CAD) Index measures the total Canadian Dollar return of the broader U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries and assumes reinvestment of dividends.

Please contact us for
more information at:

GFI

2 St. Clair Ave. East, Suite 1204
Toronto, Ontario, M4T 2T5
Tel: 416.488.8825
Toll-Free: 866.955.5300
Email: info@gfiic.com