



GFI Investment Counsel Ltd.

Preserving and growing family capital™

"But a pin lies in wait for every bubble. And when the two eventually meet, a new wave of investors learns some very old lessons: First, many in Wall Street — a community in which quality control is not prized — will sell investors anything they will buy. Second, speculation is most dangerous when it looks easiest."

Warren Buffett, 2000 Berkshire Hathaway Chairman's Letter

Fourth Quarter 2017 Commentary

Good Opportunities Fund

The Fund generated a return of 9.2% over the fourth quarter of 2017, and gained 24.0% for the year.

This quarter, you are likely aware that we moved our offices from 2 St. Clair Avenue East to 45 St. Clair Avenue West. A majority of the credit for making the move seamless for everyone involved goes to Monica and Fuyumi. Our new office offers us a second boardroom and provides a more comfortable environment for the team and our clients.

Process Wins the Day

Investing in reliable and established businesses results in occasional periods of underperformance versus the wider stock market. This typically occurs when investors gravitate toward a new concept (e.g., bitcoin) and forget about the fundamentals of investing. Many of the headlines we've seen in the media remind us of the dot com craze, when the mere mention of a company shifting its business model to some derivative of a dot com business brought huge increases to its stock price ... until, of course, the party ended.

Today's parallel to the mania of the dot-com era is blockchain/bitcoin. For example, consider the recent story of Long Island Iced Tea Corp., a company that last month changed its name to Long Blockchain Corp. to infuse the blockchain/bitcoin narrative to its business. At the time of the announcement, the company was looking to hire its first Blockchain employee and did not have a single agreement in place to support its new strategy. Yet, the company's stock price increased 183% on the day of the announcement.

As you already know, in an effort to avoid market bubbles and ensure fidelity to our investment discipline, we follow a rigorous investment process when investing capital into any new business. Our process includes a detailed checklist of more than 30 criteria that must be reviewed to our satisfaction to ensure all the money that we invest is stewarded with proper care.



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A sound investment process is most easily compromised by two forces. The first is “short-termism,” wherein investors/managers expect results in the short term (less than five years). Short-termism leads an investor to doubt their current approach and adopt the flavour of the day, often at exactly the wrong time. The second force is generated when an investment manager is more concerned with what clients think than with making the right decisions. Our firm has experienced situations in the past where stocks that we purchased fell in value initially, only to become some of our biggest winners over the long term. Of course, our clients naturally questioned some of these decisions, but we remained steadfast in our belief in our investment process.

At GFI, our investment team thinks independently and are highly disciplined in our investment approach. We believe combining these two characteristics — independence and discipline – with the humility to know that we will at times be wrong, will continue to result in long-term investment success for our valued clients.

Thank you for believing in our common-sense approach to investing.

We are always available to talk.

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.

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