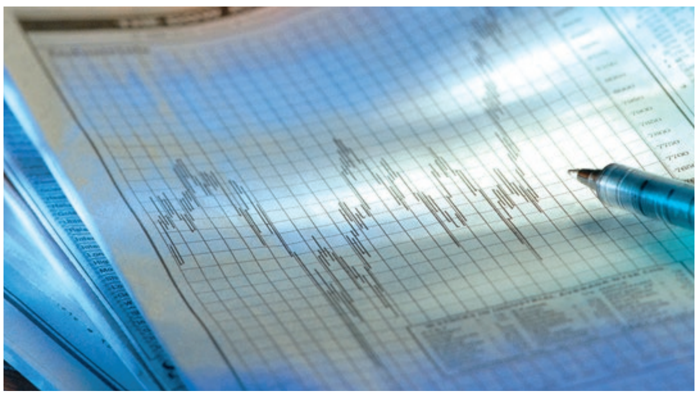
GFI Investment Counsel Ltd.
Preserving and growing family capital™

GoodQuarter Q4'17



IN THIS ISSUE

"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

Dear Valued Client,

We hope you had a wonderful holiday season.

The past year was successful on many fronts for our firm. Most importantly, we are pleased with the returns we generated in client accounts. These returns were achieved by owning and holding a basket of carefully selected businesses that we have bought for their positive long-term attributes, while largely ignoring their day-to-day stock prices.

Corey Deschamps, our recently hired Certified Financial Planner, has been busier than we expected. Corey is already working on his 15th financial plan and has fit seamlessly into the office. As you are no-doubt aware, 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 as seamless as it was goes to Monica and Fuyumi. Our new office offers us a second boardroom and a more comfortable environment for the team.

While January is typically a time to espouse views on the investment landscape entering a new year, we will continue to suggest that predicting the short-term future of stocks and bonds is beyond our expertise. Rather we will focus on managing your assets carefully, which is the only way we know how. And while stocks will be volatile from time-to-time (see our article on page 2), we always ensure we own businesses that can recover from a temporary recessionary environment.

All the best for the New Year. We hope it's a year of happiness, health and prosperity.

Daniel Goodman, CFA
President and
Chief Executive Officer

Effie Wolle, CFA, MBA
Chief Investment Officer

An Important Role

Setting Expectations ...

We are once again fortunate to be preparing our quarterly newsletter after having garnered strong investment returns for the year. Over the past six-plus years, equities in client accounts have returned roughly 18%, annualized. The returns of our selected businesses have been both strong and consistent; a wonderful result that is dangerous to get accustomed to.

While we are thrilled to be accumulating your equity capital at these rates, we want to re-emphasize that returns do not always go up in a straight line. In fact, over the three-month period ending September 30, 2017, client accounts experienced negative equity returns. This situation had not occurred in an oddly long period of time.

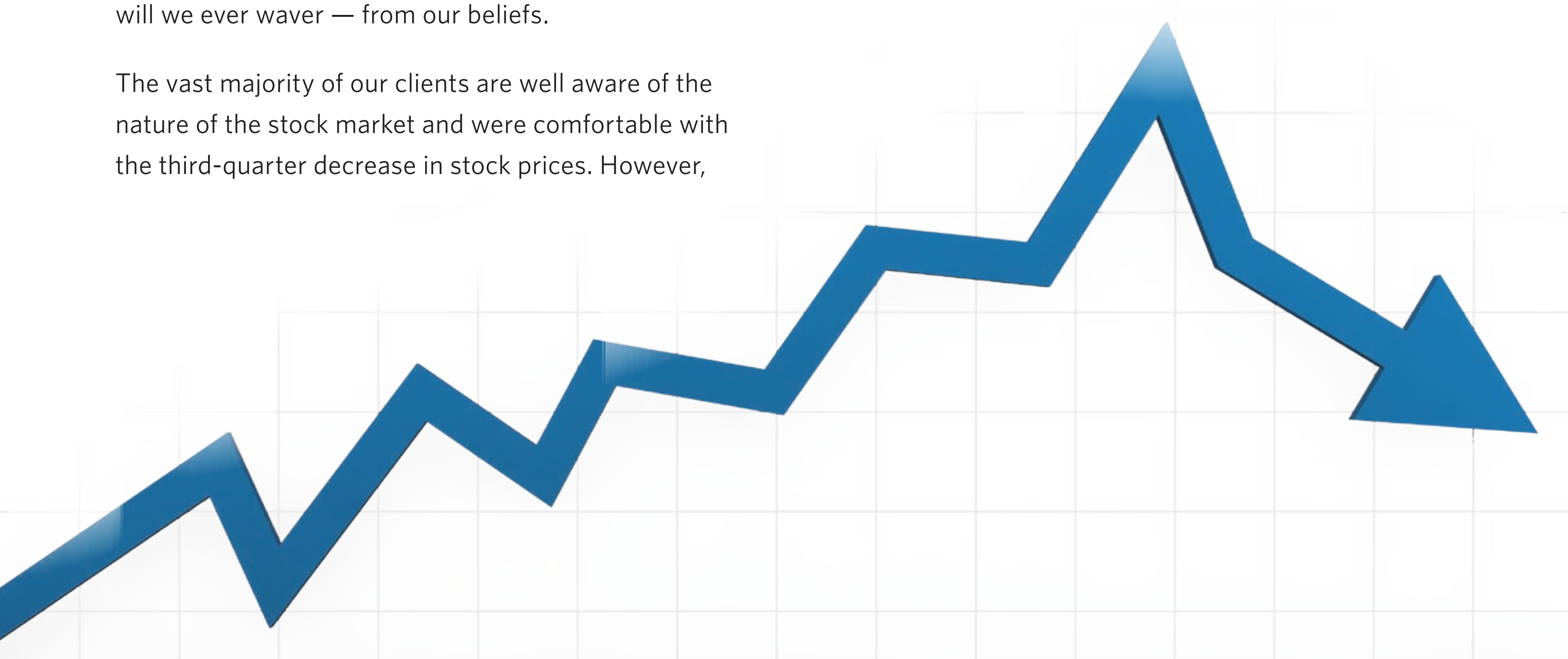
While we are not predicting any type of correction or continuation of the overall positive trend of the past six-plus years, equity markets don't generally provide the aforementioned rates of return over extended periods of time. A period of negative performance will occur at some point and, given we experienced the stock losses of 2008, as well as other smaller market dips since, our conviction in our investment process has already been tested. And we have never wavered — nor will we ever waver — from our beliefs.

The vast majority of our clients are well aware of the nature of the stock market and were comfortable with the third-quarter decrease in stock prices. However, if any clients are concerned about a mild, short-term correction, we blame ourselves for not communicating effectively enough. We discuss this topic extensively in our newsletters because we believe setting realistic expectations is one of our most important roles as your financial advisor.

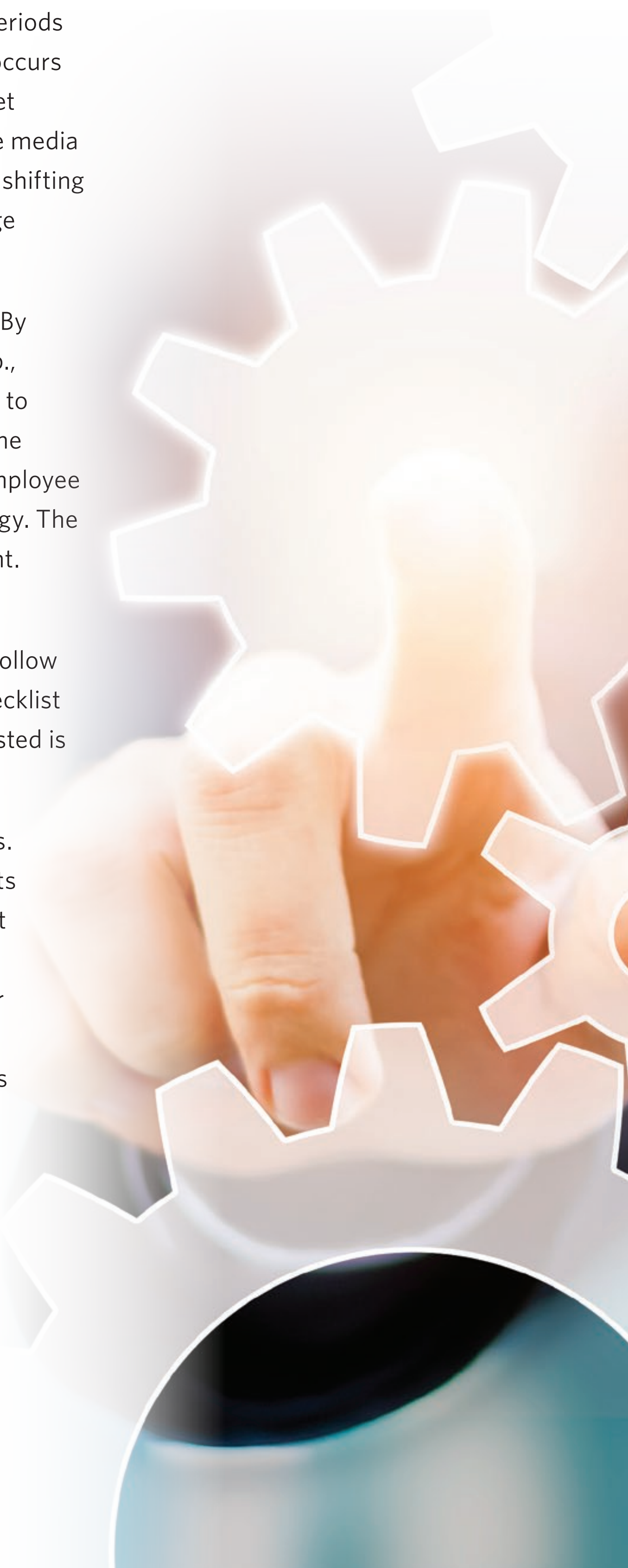
... and sticking to your plan

Many studies have shown that clients who stick to their investment plan through periods of negative equity returns significantly outperform those who try to time markets. Put another way, an investor has a much better chance of reaching his or her long-term goals by staying focused on the game plan rather than by watching the score.

It is often said that investors only know their true level of comfort owning stocks when those stocks decrease in value. Any client who was uncomfortable with their account's decrease during the third quarter of 2017 should review their asset allocation and ensure that their portfolio is adequately matched to their risk tolerance level. We'd be happy to discuss this with you at your earliest convenience.



Process Wins the Day



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

Today’s parable to the mania of the dot com era is blockchain/bitcoin. By way of 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 one agreement in place with respect to its new strategy. The company’s stock price increased 183% on the day of the announcement.

As you should already know, in an effort to avoid bubbles and ensure investment discipline, we have a detailed investment process that we follow when investing capital into a new business. Our process includes a checklist of more than 30 items that must be reviewed to ensure all money invested is done so with proper care.

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). This leads the investor to doubt their current approach and adopt the flavour of the day at exactly the wrong time. The second force is created 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 and then questioned by clients; only to have these stocks become some of our biggest winners over the long term.

At GFI, our investment team thinks independently and our investment approach requires discipline. We believe combining these two characteristics with the humility to know we will be wrong at times will continue to result in long-term investment success.

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@gfiic.com**.

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