

"The great strategy you can't stick with is obviously vastly inferior to the very good strategy you can stick with."

Cliff Asness, Chief Investment Officer, AQR Capital Management, "Masters in Business" podcast

First Quarter 2018 Commentary

Good Opportunities Fund

The Fund generated a return of 1.5% over the first quarter of 2018. While volatility has increased in the last several months, we have maintained our discipline of owning businesses that are growing and trading at what we believe to be reasonable prices. We also continue to selectively short-sell businesses who are suffering from obsolescence risk in their respective industries. As usual, we did not attempt to time movements in the stock market at any point during the first quarter.

Featured holding: SiteOne Landscape Supply, Inc.

SiteOne Landscape Supply, Inc. ("SiteOne"), originally purchased in March of 2017, is a retailer/distributor that caters to residential and commercial landscapers. SiteOne sells products such as fertilizer, plants and flowers, irrigation equipment, lighting and masonry. When considering an investment in retail, it is mandatory to think about the potential effects of Amazon.com entering the industry. Even if Amazon has not yet entered the landscaping supplies market in a substantial way, the company never stands still. We believe SiteOne, and the wider landscaping industry, have attributes that make it difficult for e-commerce platforms like Amazon to successfully compete in the space.

SiteOne staff work in a consultative manner with landscapers, often advising them on best practices for their projects. It is therefore necessary for staff to have extensive experience in landscaping. Many of the company's sales associates are themselves former landscapers or golf superintendents.

SiteOne locations carry a wide selection of inventory that allows for one-stop shopping and saves landscapers time in offering all their required supplies in one trip. SiteOne stores carry numerous parts and components for lighting and irrigation systems that landscapers are hired to maintain annually. If a repair is required at a client's site, the landscape professional can trust SiteOne to find the exact component or part to fix the problem in a timely manner.



GFI Investment Counsel Ltd.

Preserving and growing family capital™

Nurseries are a large part of SiteOne's offering. The perishable nature of flowers, as well as the desire of most landscapers to see/smell/observe flowers before they decide to install them in their clients' homes, limit the possibility of e-commerce infiltrating the industry. SiteOne serves as an effective, just-in-time inventory system for time-starved landscapers with big project backlogs.

We believe these attributes insulate SiteOne from the cutthroat commoditization faced by other bricks and mortar retail business models in the e-commerce era. E-commerce platforms excel in markets that offer commoditized products. However, if custom advice is required, the scale e-commerce businesses seek tends to dissipate.

The majority of landscapers work for upper-income homeowners. These homeowners are much more concerned with the quality of the landscaper than they are with saving money on materials. Landscapers generally pass on the costs of materials they buy from SiteOne to their clients. As price is not a major criterion, landscapers have limited incentive to shop around or negotiate intensely on pricing. This gives SiteOne the ability to maintain healthy margins.

Lastly, the industry is very fragmented. Most nurseries and landscape supply stores are family-owned operations or regional chains. SiteOne is buying smaller competitors at attractive prices. In doing so, the company promises entrepreneurs who have spent their careers building their businesses that employees and customers will continue to be treated well. SiteOne's reputation for being a trustworthy buyer will be valuable over the next decade as aging entrepreneurial baby boomers in need of exit options turn to SiteOne as the best exit strategy for their businesses.

SiteOne has a durable business model and a good formula for reinvesting its earnings, which we believe should lead to healthy double-digit earnings growth and equity returns over the long term.

Thank you for continuing to believe 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.

Please contact us for more information at:

GFI

45 St. Clair Ave. W., Suite 1000
Toronto, Ontario, M4T 2T5
Tel: 416.488.8825
Toll-Free: 866.955.5300
Email: info@gfiic.com