



GFI Investment Counsel Ltd.

Preserving and growing family capital™

*"The stock market is a wonderfully efficient mechanism for transferring wealth from the impatient to the patient."
— Warren Buffett*

Second Quarter 2019 Commentary

Good Opportunities Fund

The Fund generated a return of 7.2% over the second quarter, and gained 22.7% over the first six months of 2019.

The Fund has remained nearly fully invested in a carefully selected group of companies since its inception, and we have only shorted in instances where we have seen companies experiencing obvious business decline that operate in industries facing obsolescence. We recently initiated a short position in a business with those exact characteristics. The company is heavily leveraged, revenue has been decreasing for several years and its profit margins are falling. The industry in which the company operates is contracting because of new technology, and there is no simple solution to the underlying business issues. As always, each short position is carefully weighted and has not exceeded 3% of fund assets.

While the investment industry may espouse the merits of frequent trading, sector rotation and market-neutral strategies, we have found that, over time, these approaches come at a cost to portfolio returns. And while some investors assume these approaches protect capital, we believe that clients who require less volatility (than an equity only portfolio) should include in their portfolios a conservative mix of quality fixed income.

Although we can never be too certain about what the future holds, we believe a stock market at an all-time high is not an event to fear. In fact, businesses that grow profitably are continuously increasing their value, as a portion of profits are kept on their balance sheets and future income grows. In the long run, a productive, growing earnings stream provides the best return on capital.

Thank you for continuing to trust us with your assets. We ask, as always, that you please give us a call if you have any questions or concerns that you would like to discuss. And if you're in the neighbourhood, come by our office to meet our newest employee, Charlie, our Chief Loyalty Officer. You can see a photo of him on our website too.

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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