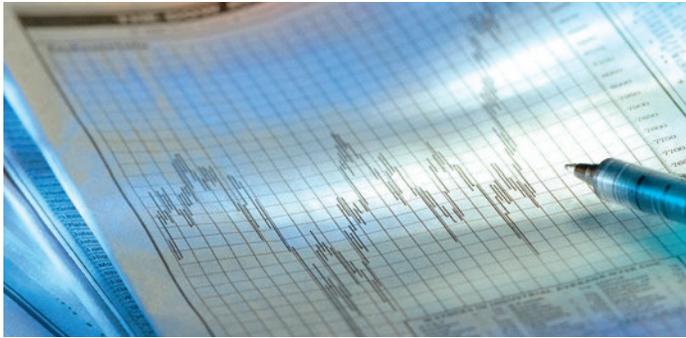


GoodQuarter

Q2'19

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“The stock market is a wonderfully efficient mechanism for transferring wealth from the impatient to the patient.”

— Warren Buffett

Dear Valued Client,

As has been the case for 12 years now, we have remained invested for all clients (including ourselves) in a carefully selected group of companies. These companies, comprised of our 16 best ideas, have generated superb returns since our firm's founding. And if history is any guide, we will likely continue to replace two to four of these businesses per year.

While the 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.

Given this relatively low volume of trading, the inquisitive among you might wonder what our investment team spends its time doing. In short, we continuously ensure the merits of our current holdings, while researching our future potential inclusions in the portfolio.

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, MBA
Chief Investment Officer

Compounding

In May 2011, a client we'll call Bob Smith joined GFI. Bob deposited \$2,000,000 into his account and decided on an asset allocation of 100% equities. At the end of June 2019, without having made any deposits or withdrawals, Bob's account was valued at \$6,992,060. For each one percent increase in Bob's account today, his initial capital is growing by 3.5%.

While our historical track record for managing accounts has a longer history, Bob's account, due to the lack of deposits and withdrawals, is the simplest example to illustrate the power of compounding. In roughly eight years of managing Bob's account, we have sold 23 securities, an average of less than three trades per year. Four of those sales were the result of acquisitions - Whistler Blackcomb, Tim Hortons, Precision Castparts and Heinz.

GFI and Bob's relationship has been great, and we have both played our part. We bought growing, well-managed businesses and Bob stayed invested in the market. Bob never panicked in response to political headlines, recession predictions or talking heads on television.

On seven different occasions, Bob's account decreased by more than 4%, and in two of those instances, his account decreased by more than 7%. While those drops in market value were difficult in the moment, they are merely a blip with the benefit of hindsight. Bob wasn't fazed during those periods of weakness. Moreover, given that Bob's account was non-registered, our approach of being patient and not over-trading his account have earned him an exceptional after-tax rate of return. Bob still holds four of the same businesses today as he did at the end of his first month of being invested with us.

We would like to thank you, and all our clients, for believing in our approach to investing, in being unfazed by the constant noise in the media and for entrusting us with your hard-earned assets.



Bob Smith

Joined:	May 2011
Initial deposit:	\$2,000,000
Asset Allocation:	100% Equities
Current Balance:	\$6,992,060

The Trade

After a long holding period, we recently sold our holding in Berkshire Hathaway.

Berkshire is a well-diversified conglomerate with a collection of businesses that are managed by the greatest investor in history, Warren Buffett. Given the company's recent history of capital allocation, however, we are underwhelmed about the company's prospects going forward. It has simply become too big.

Over the last five years, the company's cash on hand has gone up by approximately \$50 billion dollars.* Entering the second half of 2019, there was more than \$100 billion of cash on Berkshire's balance sheet. Additionally, the company earns \$25-\$30 billion that needs to be reinvested *annually*. We believe it is simply too difficult for the company to reinvest that much capital consistently to avoid having a large amount of cash earning 0.5%. We find it hard to envision Berkshire achieving the 9%-12% after-tax returns that we'd expect to receive on a go-forward basis.

We bought Berkshire for the company's superior ability to allocate capital. Without that, the collection of Berkshire holdings is probably similar to the S&P 500 Index, but focused on insurance, financials and some less attractive industrial businesses.

In its place, we purchased Colliers International. Colliers is one of the big four commercial real estate services firms (CBRE, Jones Lang LaSalle and Cushman & Wakefield being the others). Colliers offers lease brokerage, sales brokerage, valuation and property management services and asset management.

Commercial real estate services firms are generally good businesses that have very limited capital requirements. Having a recognized brand name and a worldwide network helps the large incumbents win global contracts (e.g., managing the entire owned and leased real estate portfolio of a multinational corporation), and the industry has generally grown alongside economic activity and property values.

We believe Colliers is the best managed of the large commercial real estate leaders.

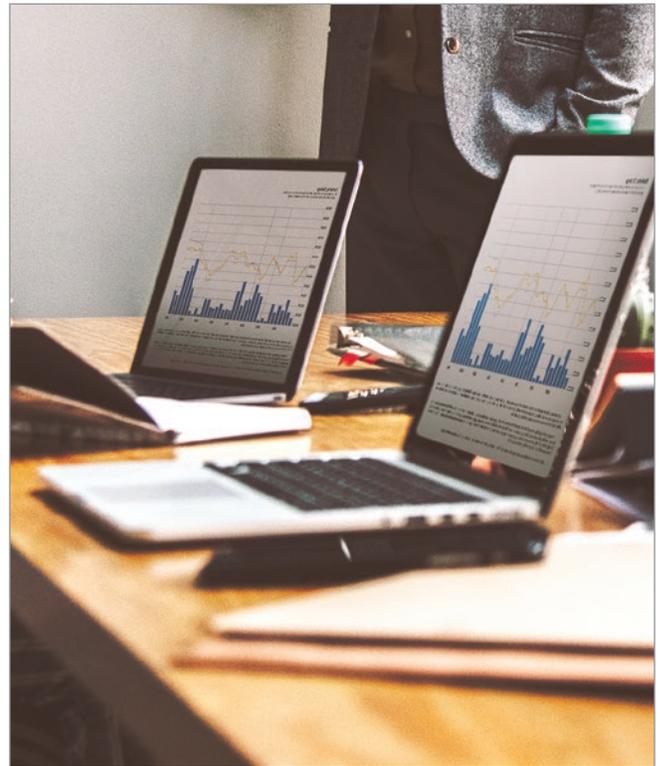


*All figures in US\$.

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We believe the intelligent decisions made by the Colliers' management team and CEO, Jay Hennick, have been the difference for Colliers. The team did not over-extend or over-leverage the company during the U.S. real estate boom of 2004-2007. As a result, the company was able to acquire smaller competitors at attractive prices during the crisis, while the other incumbents were licking their wounds from their activities during the boom.

Colliers' strategy today is the same as it has been for over 20 years. Acquire smaller regional competitors within the company's fragmented industry and grow the business along with economic activity with modest debt levels. This strategy has generated good results in the past, and we see no reason why it shouldn't continue to generate similar results going forward.



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.