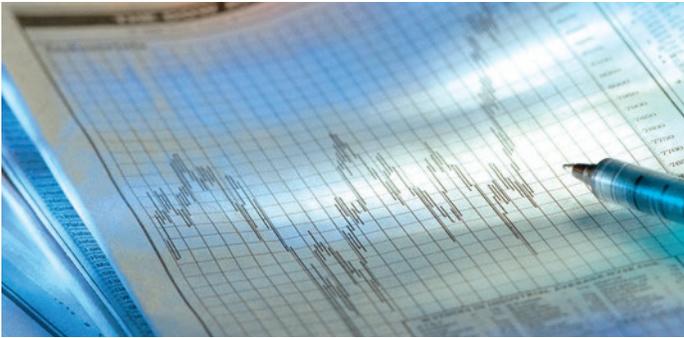


GoodQuarter

Q 4 '19

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“History doesn’t repeat itself, but it often rhymes”

— a quote often attributed to Mark Twain

Dear Valued Client,

The fourth quarter of 2019 was positive for the operations of the businesses we own and, in aggregate, their stock prices as well. We recently re-read our newsletter from this time last year, and it is astonishing the speed at which markets turned positive. While confident in our approach to stay invested, we did not expect that over the 2019 calendar year, equities held in GFI accounts would increase 34.5%.

We have included our long-term results on page 4 of this newsletter. The five-year annualized return of our equity investments stood at 15.9% as of December 31, 2019. We think it is important to highlight that even if equities were to drop 20% tomorrow, our five-year annualized equity rate of return would still be almost 11%. We continue to believe that investing for the long term in a well-selected group of equities is the best approach to creating long-term wealth.

In this edition of GoodQuarter, we provide our thoughts on Microsoft, a 2019 addition to the portfolio. On page 3, we also have included some important facts and figures for your 2020 financial planning needs.

GFI is pleased to report that our Good Opportunities Fund won the **Overall Best 2019 Canadian Hedge Fund** over the past 10-year period at the 2019 Canadian Hedge Fund

Awards. We would like to thank our clients for believing in our process and our GFI team for always going above and beyond to service our clients and generate strong investment results.

Let us brag briefly about our team. Corey Deschamps, GFI’s in-house financial planner, became an Associate Advising Representative and now personally manages clients (in addition to his role as Financial Planner). Our Chief Compliance Officer, Fuyumi Yokura, is approaching her second complete year in this role. Chief Compliance Officer is a pivotal role at any investment management firm, and Fuyumi continues to make all of our jobs easier as a result of her impressive work.

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.

Daniel Goodman, CFA
President and
Chief Executive Officer

Effie Wolle, CFA, MBA
Chief Investment Officer

The Trade

Near the end of 2019, we sold our investment in SiteOne Landscape Supply and purchased shares of Microsoft Corporation.

SiteOne is a wholesaler and distributor of landscape supplies, including irrigation equipment, fertilizer, flowers, plants, lighting and stone, to professional landscapers and golf courses. SiteOne's business is cyclical. Homeowners typically cut back on landscape spending during a recession. And while we're not predicting a recession, we must always invest as if a recession is possible at any moment. Since we initiated our investment in SiteOne, the company's debt has climbed, and we felt that such a high debt level for a cyclical company was not an ideal capital structure.

Microsoft has an attractive business model and trades at what we believe to be a reasonable price. The software industry requires very little capital reinvestment to grow. Microsoft can grow profits at strong rates, while still paying shareholders a dividend and buying back shares.

There are three main pillars to Microsoft's business. While Microsoft has well-known businesses like LinkedIn, Xbox and GitHub, the three main drivers of Microsoft's profitability are Office, Windows and Azure.

Most people are already familiar with Office and Windows. Whether it's Outlook, Word, Excel or PowerPoint, people who work in an office environment generally spend hours each day on Office apps on their Windows-run computers. Microsoft's Office suite is likely to grow with the global economy. It has very little corporate competition, and even most corporate Apple users are Office customers.

In a few niche industries, mostly in arts & design (as well as with students), Apple has a strong software position. But for most industries, Office and Windows dominate the corporate environment. Given the work disruption and training required, it would not make sense for most businesses to switch their operating system or Office suite to a competitive product.

Windows is a very profitable, albeit low-growth, business. The consumer market for computers is declining as a result of smartphones and tablets being good substitutes for this larger hardware. The corporate business for Windows, however, continues to grow.

That said, the real high-growth gem for Microsoft is Azure (last quarter it grew 59%). Azure and Amazon Web Services ("AWS") are the two leaders in cloud infrastructure. Companies are moving away from storing and managing their data and applications on premise. They are instead increasingly outsourcing this function to datacentres run by AWS and Azure, which are more secure, lower-cost and more flexible.

Azure is a distant number two to AWS, but is growing faster than the industry and will probably have doubled its market share, from ~9% to ~18%, between 2016 and the end of 2020.

Once businesses move their data and applications to cloud providers, switching away becomes a multi-year, very disruptive project and is an unlikely corporate endeavour. Furthermore, both AWS and Azure have been very successful in moving away from just being storage sites for data, and are now cross-selling higher-margin tools and software to their clients. This has made their cloud businesses very profitable and sticky. We believe the shift to the cloud will last a decade or more, which means Microsoft has a long runway of above-average growth despite already being a US\$1.2 trillion company.

Microsoft also has an attractive financial model. Selling incremental software has very low marginal cost. We are partial to sticky, profitable software businesses because of the strong operating leverage they exhibit. In fiscal-year 2019, Microsoft grew its revenue 14%, but income increased 23%. In its first-quarter 2020 results (released in October 2019), revenue increased 15% and income was up 32%.

Our estimates show that even at more moderate revenue growth rates, the underlying profit growth at Microsoft can be attractive to long-term investors. We look forward to owning the company for years to come.

2020 Important Tax and Financial Planning Figures

Registered Plans

Registered Retirement Savings Plan (RRSP)

2019 Contribution Limit	\$26,500
2020 Contribution Limit	\$27,230
2019 Tax Year Contribution Deadline	March 2, 2020

TFSA Contribution Limit

2019 Contribution Limit	\$6,000
2020 Contribution Limit	\$6,000
Accumulated Contribution Room ¹	\$69,500

Registered Education Savings Plan (RESP)

Lifetime Contribution per Beneficiary	\$50,000
Annual contribution to Maximize Grant ²	\$2,500

Prescribed Rate Loans

CRA Prescribed Interest Rate (Q1 2020)	2.00%
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Interest must be paid on or before January 30 each year to avoid income attribution.

RRIF Minimum Payment Schedule - Based on Previous Year End Market Value

Age	Min. Payment	Age	Min. Payment
65	4.00%	81	7.08%
66	4.17%	82	7.38%
67	4.35%	83	7.71%
68	4.55%	84	8.08%
69	4.76%	85	8.51%
70	5.00%	86	8.99%
71	5.28%	87	9.55%
72	5.40%	88	10.21%
73	5.53%	89	10.99%
74	5.67%	90	11.92%
75	5.82%	91	13.06%
76	5.98%	92	14.49%
77	6.17%	93	16.34%
78	6.36%	94	18.79%
79	6.58%	95+	20.00%
80	6.82%		

2020 Combined Federal/Ontario Personal Tax Rates

Taxable Income	Interest	Eligible Dividends	Non-Eligible Dividends	Capital Gains
First \$44,740	20.05%	0.00%	9.24%	10.03%
\$44,741 to \$48,535	24.15%	0.00%	13.95%	12.08%
\$48,536 to \$78,783	29.65%	6.39%	20.28%	14.83%
\$78,784 to \$89,482	31.48%	8.92%	22.38%	15.74%
\$89,483 to \$92,825	33.89%	12.24%	25.16%	16.95%
\$92,826 to \$97,069	37.91%	17.79%	29.78%	18.95%
\$97,070 to \$150,000	43.41%	25.38%	36.10%	21.70%
\$150,001 to \$150,473	44.97%	27.53%	37.90%	22.48%
\$150,474 to \$214,368	47.97%	31.67%	41.35%	23.98%
\$214,369 to \$220,000	51.97%	37.19%	45.95%	25.98%
\$220,000+	53.53%	39.34%	47.74%	26.76%

Canada Pension Plan & Old Age Security - Monthly Maximum Rates 2020

CPP Retirement Benefit (age 65)	\$1,175.83	OAS Benefit (age 65)	\$613.53 (Q1)
Reduction for Early Benefits (minimum age 60)	-0.60% per month taken early	Increase for Deferred Benefits (maximum age 70)	+0.60% per month taken early
Increase for Deferred Benefits (maximum age 70)	+0.70% per month deferred	Net Income when Clawback of Benefits Begins	\$79,054
CPP Disability Benefit	\$1,387.66	Net Income when Benefits are Fully Clawed Back	\$128,137
CPP Survivor Benefit (below age 65)	\$638.28		
CPP Survivor Benefit (65 or older)	\$705.50		
Combined Survivor & Retirement Benefit	\$1,175.83		
Combined Survivor & Disability Benefit	\$1,387.66		

¹ Canadian residents age 18 and older as of 2009.

² The Canada Education Savings Grant (CESG) is 20% of the contribution to a maximum of \$500 per year or \$1,000 per year if carry forward grant is utilized.

This document is for general information purposes only.

GFI Investment Counsel Performance Summary

as of December 31, 2019

The following are the historical performance summaries of GFI Investment Counsel's portfolios. Please contact us at the number below for more information.

Portfolio	YTD	1 year	3 year*	5 year*	10 year*	Since Inception**
Equity	34.5%	34.5%	17.9%	15.9%	—	17.3%
Growth***	25.9%	25.9%	13.8%	11.8%	13.5%	10.3%
Balanced	20.6%	20.6%	9.8%	8.6%	9.8%	8.1%
Income****	14.8%	14.8%	7.6%	6.3%	—	7.7%

Portfolio	2019	2018	2017
Equity	34.5%	-0.2%	22.5%
Growth***	25.9%	-0.1%	17.3%
Balanced	20.6%	0.3%	13.1%
Income****	14.8%	-0.9%	9.6%

*Annualized.
 **Equity inception is April 29, 2011. Growth and Balanced inception is January 31, 2005. Income inception is January 29, 2010.
 ***Named Equity Balanced prior to 9/29/2019
 ****Named Fixed Income Balanced prior to 9/29/2019

- Equity portfolios include all managed accounts with 100% equity holdings.
- Growth portfolios include all managed accounts with equity holdings of 61% to 80% of total assets.
- Balanced portfolios include all managed accounts with equity holdings of 41% to 60% of total assets.
- Income portfolios include all managed accounts with equity holdings of 21% to 40% of total assets.
- All equity composites over \$200,000 managed on a discretionary basis within GFI Investment Counsel are included in performance figures.
- All growth, balanced, and income composites over \$500,000 managed on a discretionary basis within GFI Investment Counsel are included in performance figures.
- Composites do not utilize leverage.
- Composites are net of all fees.
- A fee schedule is available upon request.
- The exchange rate used to convert non-Canadian holdings is the rate supplied by our custodian at quarter end.
- GFI Investment Counsel's investment style most closely resembles value investing.
- Each portfolio's inception date is determined by the date at which discretionary management originated.
- All figures are quoted in Canadian dollars.
- Performance figures are asset weighted.
- Non-resident taxes are added back, where applicable.
- GFI Investment Counsel received its license to operate from the Ontario Securities Commission in July of 2007.
- All returns calculated prior to July, 2007 were based on accounts managed by Daniel Goodman, CFA, (continually) while an Investment Industry Regulatory Organization of Canada (IIROC) licensed portfolio manager.

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.