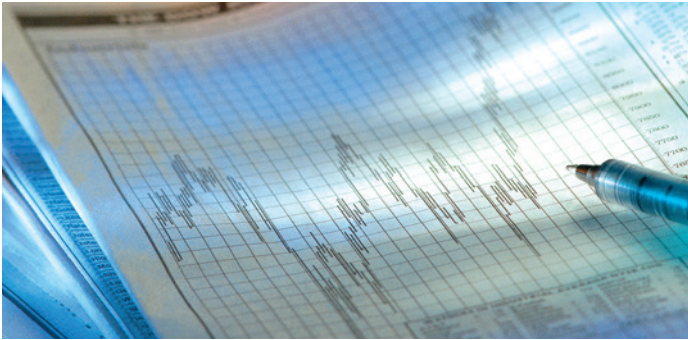


# GoodQuarter

**Q 4 ' 20**

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*“The whole problem with the world is that fools and fanatics are always so certain of themselves, and wiser people so full of doubts.”*

— Bertrand Russell

### Dear Valued Client,

Happy New Year! We are pleased to report that the stocks in your account gained approximately 21% over 2020. This, in combination with high-single-digit bond returns, resulted in an exemplary annual return, especially in light of the ongoing pandemic.

GFI continued to grow in 2020 and we are pleased to have added two wonderful new members to the GFI team. Manny and Chris joined us in the second half of the year and have already contributed to our focus in making sure we handle customer service promptly and efficiently.

While we remained steadfast in our investing approach throughout the year, we also witnessed an important tenet of financial planning and asset allocation. That is: the best asset allocation approach is one that an investor can maintain in times of extreme market dislocations. We are pleased to report that our clients remained invested throughout the most volatile markets of February and March, and prospered greatly from their patience.

As we have said many times in the past, we view our relationship with you as a partnership; wherein we each play important roles in your financial success. We research and invest in the best long-term opportunities available, and you, our client, remain invested over a similar long-term timeframe. This year has proven beyond any doubt that a focus on owning high quality businesses

and avoiding the strong temptation to try and tactically manage portfolio exposure is the best approach available to truly protect and grow our clients wealth.

### In this Issue

On page 2 of this issue, we feature a recent article from the Globe and Mail in which Daniel Goodman, CEO of GFI, discusses several of our portfolio holdings.

On page 3, we have included our annual financial planning summary, highlighting Tax-Free Savings Account and Registered Retirement Savings Plan limits, Registered Retirement Income Fund withdrawal rates, personal income tax rates in Ontario, as well as Canada Pension Plan and Old Age Security maximums and other key figures.

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 you would like to discuss. We are excited to get back to the office and see everyone face to face in the near future.



Daniel Goodman, CFA  
Chief Executive Officer



Effie Wolle, CFA, MBA  
President and Chief Investment Officer

**THE GLOBE AND MAIL** NOVEMBER 2, 2020 • BY BRENDA BOUW

# Three top stock picks from the CEO of \$1.2-billion investment manager GFI

Daniel Goodman isn't too worried about how the markets will behave after Tuesday's U.S. presidential election, even if it's contested for weeks to come. For Mr. Goodman, chief executive officer at GFI Investment Counsel Ltd., investors should buy companies they plan to own for years.

"This is a moment in time and, from an investment perspective, that's all it is," says Mr. Goodman, whose Toronto-based firm oversees about \$1.2-billion in assets under management.

Instead of trying to time the markets, he says investors should stick to the long-term asset mix and plan they've set up.

"The right asset mix is one you can hold in all market conditions," he says. "If you're contemplating selling down equities at this point in time, it probably means that you have too high an equity allocation in your portfolio. You should own the amount of equities that you can hold during difficult times as well as the good times."

GFI's own equity allocation is at 100 per cent – about 75 per cent U.S. stocks and the rest in the Canadian market. It invests in about 15 to 20 names at one time.

Its Good Opportunities Fund returned 20 per cent year-to-date after fees, as of Sept. 30. That compares with a return of 5.6 per cent for the S&P 500 and a drop of 3.1 per cent for the S&P/TSX Composite Index over the same period, Mr. Goodman says.

His firm is about "rational investing," which means it doesn't get into risky bets such as cannabis or cryptocurrency stocks. He's also not interested in commodities, such as mining and energy, and sold out his one Canadian bank stock in June of this year. Mr. Goodman is not expecting a crash in bank stocks but "we felt we could do better" with other companies over the long term.

One recurring theme in his portfolio is companies with high operating leverage, which measures the sensitivity of a company's operating income to its revenues.

"It's when that new dollar of revenue falls to the bottom line in a big way," Mr. Goodman says. "It's a wonderful characteristic of a great business."

Below are three of his picks:

.....  
**Moody's Corp. (MCO-NYSE)**  
 .....

- 52-week range: US\$305.95 to US\$164.19
- Nov. 2 close: US\$265.93
- One-year return: 20.6 per cent

Mr. Goodman first bought the credit-rating agency company's stock in May, citing its limited competition and ability to raise prices without losing customers. Moody's main competition include S&P Global Ratings and Fitch Group.

"Corporate debt issuance isn't going to slow down," he says. "We look for businesses that can pass through their inflationary cost increases and raise prices to customers without losing them."

He says most businesses that have to issue corporate debt don't have a wide choice about where to get rated. Also, by getting the rating, they can lower their cost of capital. It's similar to the possibility of getting cheaper home insurance if you have a security system installed.

"It's another one of the things we look for; a win-win for the customer and the business," Mr. Goodman says.

He also points to Moody's strong third-quarter earnings, where revenue increased by 9 per cent to US\$1.4-billion year-over-year, which led to a 25-per-cent increase in adjusted diluted earnings per share (EPS) of US\$2.69 compared with last year. "It's another example of operating leverage," he says.

.....  
**Microsoft Corp. (MSFT-Nasdaq)**  
 .....

- 52-week range: US\$232.86 to US\$132.52
- Nov. 2 close: US\$202.33
- One-year return: 40.8 per cent

GFI has bought Microsoft on and off over the years and got back in a year ago and has been adding to client portfolios ever since, attracted to the technology giant's size and recurring customer base. "People rarely switch their operating systems," he says, adding that, like Moody's, Microsoft can usually raise prices without losing customers. "It's a very sticky business."

Microsoft recently reported a 12-per-cent year-over-year increase in its fiscal first-quarter revenue to US\$37.2-billion – "which for a company that size is astounding to begin with," Mr. Goodman says. Diluted EPS increased by 32 per cent to US\$1.82.

The company's valuation is a bit high, at about 26 times 2021 free cash flow, according to his company's forecasts, but Mr. Goodman says he believes the stock will look cheap five years from now as the company continues its double-digit growth trajectory. "Price is what you pay, value is what you get."

.....  
**Charter Communications Inc. (CHTR-Nasdaq)**  
 .....

- 52-week range: US\$663.70 to US\$345.67
- Nov. 2 close: US\$588.43
- One-year return: 23.5 per cent

GFI bought this U.S. broadband communication company in the first quarter of 2018, attracted to its ability to provide some of the fastest internet service in its territories.

"They've invested a lot in their network," he says, which has kept customers from switching to other providers.

The broadband company reported revenue growth of about 5 per cent to US\$12-billion in the third quarter, driven by a 12.5-per-cent surge in its internet division. Diluted EPS came in at US\$3.90, up 124 per cent from US\$1.74 a year ago.

"That's operating leverage, when that new dollar of revenue gives you significant ly more earnings," Mr. Goodman adds.

## 2021 Important Tax and Financial Planning Figures

### Registered Plans

#### Registered Retirement Savings Plan (RRSP)

|                                     |               |
|-------------------------------------|---------------|
| 2020 Contribution Limit             | \$27,230      |
| 2021 Contribution Limit             | \$27,830      |
| 2020 Tax Year Contribution Deadline | March 1, 2021 |

#### TFSA Contribution Limit

|  |          |
|--|----------|
| 2020 Contribution Limit                    | \$6,000  |
| 2021 Contribution Limit                    | \$6,000  |
| Accumulated Contribution Room <sup>1</sup> | \$75,500 |

#### Registered Education Savings Plan (RESP)

|  |          |
|--|----------|
| Lifetime Contribution per Beneficiary              | \$50,000 |
| Annual contribution to Maximize Grant <sup>2</sup> | \$2,500  |

### Prescribed Rate Loans

|  |       |
|--|-------|
| CRA Prescribed Interest Rate (Q1 2021) | 1.00% |
|--|-------|

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%        |     |              |

### 2021 Combined Federal/Ontario Personal Tax Rates

| Taxable Income         | Interest | Eligible Dividends | Non-Eligible Dividends | Capital Gains |
|------------------------|----------|--------------------|------------------------|---------------|
| First \$45,142         | 20.05%   | 0.00%              | 9.24%                  | 10.03%        |
| \$45,143 to \$49,020   | 24.15%   | 0.00%              | 13.95%                 | 12.08%        |
| \$49,021 to \$79,505   | 29.65%   | 6.39%              | 20.28%                 | 14.83%        |
| \$79,506 to \$90,287   | 31.48%   | 8.92%              | 22.38%                 | 15.74%        |
| \$90,288 to \$93,655   | 33.89%   | 12.24%             | 25.16%                 | 16.95%        |
| \$93,656 to \$98,040   | 37.91%   | 17.79%             | 29.78%                 | 18.95%        |
| \$98,041 to \$150,000  | 43.41%   | 25.38%             | 36.10%                 | 21.70%        |
| \$150,001 to \$151,978 | 44.97%   | 27.53%             | 37.90%                 | 22.48%        |
| \$151,979 to \$216,511 | 47.97%   | 32.11%             | 41.72%                 | 24.14%        |
| \$216,512 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 2021

|   |                              |   |                           |
|---|------------------------------|---|---------------------------|
| CPP Retirement Benefit (age 65)                 | \$1,203.75                   | OAS Benefit (age 65)                            | \$613.37 (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 deferred |
| Increase for Deferred Benefits (maximum age 70) | +0.70% per month deferred    | Net Income when Clawback of Benefits Begins     | \$79,845                  |
| CPP Disability Benefit                          | \$1,413.66                   | Net Income when Benefits are Fully Clawed Back  | \$129,075                 |
| CPP Survivor Benefit (below age 65)             | \$650.72                     |   |                           |
| CPP Survivor Benefit (65 or older)              | \$722.25                     |   |                           |
| Combined Survivor & Retirement Benefit          | \$1,203.75                   |   |                           |
| Combined Survivor & Disability Benefit          | \$1,413.66                   |   |                           |

<sup>1</sup> Canadian residents age 18 and older as of 2009.

<sup>2</sup> 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, 2020

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     | 21.4% | 21.4%  | 17.7%   | 17.2%   | —        | 17.7%             |
| Growth***  | 17.8% | 17.8%  | 14.1%   | 13.5%   | 13.9%    | 10.8%             |
| Balanced   | 15.1% | 15.1%  | 11.7%   | 10.7%   | 10.6%    | 8.6%              |
| Income**** | 13.0% | 13.0%  | 8.8%    | 8.2%    | 7.9%     | 8.2%              |

| Portfolio  | 2020  | 2019  | 2018  | 2017  |
|------------|-------|-------|-------|-------|
| Equity     | 21.4% | 34.5% | -0.2% | 22.5% |
| Growth***  | 17.8% | 25.9% | -0.1% | 17.3% |
| Balanced   | 15.1% | 20.6% | 0.3%  | 13.1% |
| Income**** | 13.0% | 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**.