GFI Investment Counsel Ltd.

Preserving and growing family capital™

GFI Good Opportunities Fund

WINNER OF THE 2020 CANADIAN HF AWARDS

Overall Best Hedge Fund

1st Place

2020 CANADIAN HF AWARDS

"Investing is most intelligent when it is most businesslike."
– Benjamin Graham

First Quarter 2022 Commentary

Good Opportunities Fund

Dear Valued Client,

The Fund declined by 13.1% over the first quarter of 2022.

It is slowly starting to feel like spring ... and not a moment too soon! Weather aside, the first quarter was a remarkably volatile period for stocks, and the Good Opportunities Fund was not immune to that volatility. Although we have discussed the potential volatility of equities in the past, market drops can test even the most ardent investor's emotions. This is natural.

Market declines are typically accompanied by a narrative – and usually that narrative includes rising interest rates, a looming recession and/or geopolitical uncertainty. Investing becomes emotional at times like these. But it is during these moments that investors need to stay the course, follow their long-term plan and avoid rash decisions.

With the benefit of hindsight, we would have all loved to have purchased and held Amazon since the company's IPO in 1997. Had you purchased US$1,000,000 of Amazon shares when the company went public, and held those shares until today, the value of your investment would be US$2,130,000,000. The value of your shares would have declined by over 20% from its previous peak 11 times over that period. Fractional ownership of publicly traded businesses will trade up and down, and many times those movements are unrelated to the actual strength of the business. Another example is Berkshire Hathaway, which is still capably run by Warren and Charlie. A US$1,000,000 investment in Berkshire Hathaway 20 years ago would be worth over US$7,400,000 today. It would have declined over 20% three times during that period, and actually declined around 51% during its largest drawdown.

Public ownership of high-quality businesses can create great wealth for patient, logical and business-minded investors. Unfortunately, the road to that wealth is paved with periods of investment stress and irrational price movements. We believe it is helpful to think about such volatility as the short-term cost of participating in the long-term returns offered by equity markets. Our unitholders have benefited from a return of 14.3%, annualized, over the past decade. The cost of that return was periodic volatility.

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During the quarter, we sold the Fund's holding in Netflix, Inc. and purchased Alphabet Inc., Google's parent company. We also reintroduced shorts to the portfolio after carefully considering the meme stock phenomenon. Our portfolio remains well positioned by our investment team, who analyze both existing holdings and potential new businesses to invest in.

We are incredibly confident in the portfolio of businesses owned by the Fund. They have achieved exceptional wealth creation for unitholders over the past 14 years, and we look forward to many more years of success.

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.

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