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

Third Quarter 2022 Commentary

Good Opportunities Fund

Dear Valued Client,

With three quarters of 2022 behind us, we can confidently say that this has been a challenging investment climate to navigate. While the Fund NAV decreased by 1.5% during the third quarter, day-to-day volatility continued unabated. We have often discussed the benefit of checking stock market values less often, and that recommendation was never more important than during the past quarter. If an investor had embarked on an extended vacation or taken a hiatus for three months, that person would have returned to see the Fund NAV nearly unchanged. Observing these last three months on a daily basis, however, would have been an entirely different emotional experience.

The table below shows the probability of market performance over a number of historical timeframes.

Time Frame	Positive	Negative
Daily	54%	46%
Quarterly	68%	32%
One Year	74%	26%
5 Years	86%	14%
10 Years	94%	6%
20 Years	100%	0%

Source: Global Financial Data, Inc. a of 12/31/2017

As you can see, the longer the timeframe, the more likely positive investment results will be achieved.

Over the past several years, investors have become accustomed to volatility and asset-value declines, followed by quick recoveries. The 2022 market correction has lasted almost the entire year, which is already significantly longer than several other recent corrections, including COVID-19, the decline in the fourth quarter of 2018 and the Brexit correction. While uncomfortable, this longer-lasting correction is typical of capital market ebb and flows, but has continued longer than any investor wants. Be assured, we're not taking this correction lightly; we continue to challenge our process and security selection, while also ensuring that we remain true to our investment pillars.

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Why We Don't Time the Market

If we have done our job well in communicating our beliefs over the last 15 years, it should not come as any surprise that we have not attempted to time the markets. That said, it is tempting to look back and believe it would have been easy to predict the drawdown, while also questioning the investment climate going forward.

We always stress that we do not time markets and don't let short-term opinions drive our investment process. We have no idea what the markets will do in the short term and, in our opinion, neither does anyone else. We take a long-term approach to building wealth and it is always important that your portfolio and its level of risk are properly aligned with the timing of your various goals and objectives.

To illustrate how difficult market timing is, a research firm named DALBAR wrote a report analyzing investor returns in U.S. equity mutual funds compared to the wider S&P 500 Index. Over a 30-year period, the S&P 500's annualized return was 10.0%, while U.S. equity mutual fund investors generated a 4.1% return. This massive difference was primarily attributed to individual investors attempting to time markets or switch between different funds or asset classes at inopportune times. Too many investors lack the required patience to stay invested over the long term.

The Team is Growing

Please join us in welcoming Adam Brass to the GFI team. Adam joins us as Senior Investment Analyst and comes from the asset management arm of a major Canadian bank. We are excited to have Adam contribute to our investment management process.

Thank you for continuing to trust us with your assets. Please give us a call if you have questions or would like to discuss any concerns.

Daniel Goodman, CFA
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