

"Any superiority an investment process may have will only emerge with time, so patience is important."
– Nick Sleep

Fourth Quarter 2022 Commentary

Good Opportunities Fund

Dear Valued Unitholder,

Happy New Year! While 2022 closed out in the same manner as it began – with heightened financial market volatility and uncertainty, the portfolio posted a gain of 6.8% over the fourth quarter. Hard work tends to be correlated with activity in most endeavours, but doing little is often the right approach when investing.

The economic events that transpired in 2022 had an enormous impact on nearly all securities. First, higher interest rates lowered the value investors were willing to pay for assets, as the returns available from risk-free government bonds increased expected returns from investors. Second, companies with significant debt, especially debt that requires refinancing, are expected to experience materially lower net income. Third, inflation further impacted businesses, as cost increases cannot always be passed through to customers quickly (or in their entirety). These three issues combined to lower the equity value of most businesses.

Although the Fund suffered declines over the full-year 2022, the earnings of the businesses we own were resilient. The majority of our holdings continued to grow their earnings, even through a difficult environment. In some of the more cyclical industries we invest in, our holdings' earnings decreased, but their brands and normalized earnings were not materially impacted. We will remain patient and wait for our companies to flourish once again, as economic circumstances change over the next six to 18 months.

We are not resting on our past laurels. We have started to identify new and unique opportunities. During the fourth quarter, we introduced some new smaller-capitalization companies to the portfolio and are excited about several additional businesses we continue to research. Additionally, we have found further businesses to short. These are companies with poor business models and inappropriate leverage that tend to operate in declining industries. While we will not make up for the 2022 losses overnight, we are confident in our investment pillars and the new opportunities we are uncovering.



GFI Investment Counsel Ltd.

Preserving and growing family 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.

Daniel Goodman, CFA
Chief Executive Officer

Effie Wolle, CFA
President and Chief Investment Officer