GFI Investment Counsel Ltd. | Preserving and growing family capital™

GoodQuarter Q2'26

> "Time is the friend of the wonderful business, the enemy of the mediocre."
>
> — Warren Buffett

IN THIS ISSUE

Dear Valued Client,

The second quarter of 2026 saw our equity portfolio gain roughly 6%. As we wrote in last quarter's newsletter, we continue to expand the portfolio of businesses we own, which now number 21. Our latest inclusion to the portfolio is Verisign, Inc. Verisign operates essential internet infrastructure including the domain name registry for .com and .net. On page 2, you will find an article detailing Verisign's business and our reasons for buying it this quarter.

Our first quarter purchases of Canadian Utilities Limited and Interactive Brokers Group, Inc. are paying dividends, both figuratively and practically. Canadian Utilities has a yield of 3.5% and continues to expand its regulated asset base in Alberta. Interactive Brokers is attracting an increasing number of investors, both professionals and independents, to its robust global platform.

We have taken material steps to adjust our portfolio to the current environment. Volatility should be reduced with our (slightly) larger portfolio. In addition, we continue to purchase businesses that will benefit from new technology while not investing in speculative sectors of the market. Our holdings and their current valuation versus historical trends are illustrated on page 3.

Politically, the current U.S. administration is impossible to predict. Energy prices have become more volatile as the Middle East enters and exits a war footing weekly. The upcoming mid-term elections will provide a lens into what may happen when President Trump leaves office. While fascinating, history shows that markets climb under both Republican and Democratic administrations and we will not invest based on political factors.

Our portfolio is designed to grow whether AI develops faster than expected, more slowly than expected or ultimately proves less disruptive than current market prices imply. We have been investing long enough to know that market leadership changes, popular narratives fade and valuation eventually matters. What we do not know—and will not pretend to know—is when market sentiments shift.

As always, we are available should you have any questions.

The GFI Team

Verisign

Internet browsers use the Domain Name System ("DNS") to navigate the web. A domain name registry acts like a phone book, redirecting your browser's request to the right website by translating the domain name into a specific address. This system is managed by private companies contracted by the ICANN, the Internet Corporation for Assigned Names and Numbers, a global non-governmental association that regulates Internet infrastructure.

Verisign is the global monopoly operator of the .com and .net domain registries, meaning all websites that have a .com or .net domain name are registered with Verisign. Through their contract with ICANN, Verisign and its predecessor companies have managed the .com domain name since 1991.

The contract with ICANN is secure, with automatic renewals in 6-year cycles as long as Verisign does not breach any of its service commitments.

Verisign handles roughly 350 billion queries per day and more than 6 million queries per second. The company has delivered 100% availability and zero interruptions for three decades. As such, ICANN allows Verisign to increase prices by ~5% per year. Verisign currently charges approximately $10 per year for each .com or .net domain name registered. Verisign's business model requires very little incremental expense or capital, even as the number of domain names grow. Therefore, the price increases alongside any volume growth fall largely to the bottom line.

.com domains are currently growing at roughly 6%-7%, the fastest rate in half a decade. We believe this is due to AI coding tools, making many more small business and personal projects possible. Given the increased website formation, we think revenues can grow 5% from pricing and 3%-6% from volume, which should lead to overall revenue growth of 8%-11%. Due to the business having high operating leverage, earnings should be able to grow in the low teens. Paired with capital returns of ~4% per year, we think Verisign presents an opportunity to earn very strong returns in a regulated monopoly business.

Weakness leads to strength

The recent period of weakness in several of our holdings can be frustrating to clients, no doubt, along with our investment team. While we expect periods of underperformance from time to time, these episodes are a good test of both discipline and open-mindedness.

We have touched on the changes we made over the last twelve months in previous missives, highlighting our decisions to sell the three consulting firms we once owned and selling companies where we saw technological risk in order to purchase businesses participating in the growth being introduced through increased use of AI (see Verisign article on previous page). We will always act decisively to sell a holding when the need arises.

We wanted to now illustrate, at a high level, why we continue to own the businesses we do, in some cases after recent mediocre returns. In the table below, we have listed a select group of our holdings, showing their current estimated earnings multiples relative to their historical averages. With Microsoft being the (current) exception, all of these businesses require very little capital to generate growth, thus providing shareholders with favourable long-term returns. For various reasons, including market sentiment, recent headlines or investment trends, companies' earnings multiples regularly fluctuate, often based on investor appetite for a specific industry.

Select Holdings Valuation Vs Historical Avg

Ticker	10-Year Avg. Forward Price / Earnings	Forward P/E Today	Difference (%)
CSU	28.6	16.5	-42%
OTIS	23.9	16.5	-31%
EFX	26.0	18.3	-30%
CIGI	17.7	12.6	-29%
FSV	31.7	22.6	-29%
MSCI	36.6	26.8	-27%
MSFT	28.1	21.0	-25%
BAM	30.0	24.4	-19%
V	28.5	25.5	-11%
AON	19.7	17.9	-9%
VRSN	29.7	27.1	-9%
Average	27.3	20.8	-24%

While patience can be tested through these periods, we have lived through various cycles of this nature. In due course, businesses predictably growing their franchises, paying dividends and buying back shares will lead the market in generating investment returns. When the cycle does shift, it typically does so very quickly with patient shareholders earning outsized returns in short periods of time.

Our Client Commitments

Here are the promises we make to you (formed over decades of industry experience):

1. We will always manage your money as if it was our own – and we don't take unnecessary risks with our own money.
2. We will never claim to be able to time markets.
3. We will always ensure you understand what we are saying.
4. We will return your phone calls and emails promptly.
5. We will always report your performance net of all fees.
6. We will always disclose how and what we charge you.
7. We will always use the appropriate benchmark and include dividends when comparing our performance to benchmarks
8. We will manage your capital rationally.
9. We will never discuss or use terms like "macro," "tactical," "sector rotation" or "absolute return."
10. We will never chase the most recent investment trend.
11. We will charge fair fees; not the fees we think we can get away with.
12. We will never use the term "risk-adjusted" to justify poor results.
13. We will never use Greek letters to explain our approach or rationalize our returns.
14. We will never tout illiquid investments as if they are "less risky" just because they are private.
15. We will never launch new products simply because a sector is "hot."

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**.

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