

GoodQuarter

Q3'25



“The stock market is designed
to transfer money from the
active to the patient.”

— Warren Buffet

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Dear Valued Client,

The third quarter of 2025 saw our equity portfolios flat while our bonds gained approximately 1.4%. Our portfolio companies continue to grow their earnings while using their capital judiciously. We are very optimistic about the future returns from this year's new businesses; Roper Technologies, Inc. and Otis Worldwide Corporation (“Otis”). Both businesses have a majority of their revenue recurring, operate as a dominant provider of services in their industries and allocate capital effectively.

On page two of The GoodQuarter, we have included a recent feature on GFI, wherein our Chief Investment Officer Effie was interviewed by Brenda Bouw of the Globe and Mail, and discussed a few of our portfolio holdings as well as a recent business sale. Artificial Intelligence (“AI”) was discussed and continues to play a prominent role in our investment team discussions. As many of you know, we have a detailed investing checklist that ensures we ask ourselves the most pertinent questions before making any new investments. In the last two years, this checklist has been continuously updated to ensure we consider the

ramifications of AI on each of the businesses we own. In addition, we continue to use AI in our office at an accelerated pace to become more efficient and better understand the future landscape of this groundbreaking technology.

Our portfolio has benefited directly from AI due to the inclusion of Microsoft Corporation and indirectly, from the ownership of Ferguson Enterprises Inc., a company that supplies equipment for the buildout of data centres. While it can be tempting to overweight today's winners in the AI-race, we will continue to diversify the portfolio beyond AI focused companies. Sentiment can turn surprisingly quickly in the capital markets, and we will be sure to diversify the portfolio across various industries and remain true to our investment process which has produced strong long-term investment results.

On page 3, we delve into our recent purchase of Otis.

Thank you, as always, and please reach out with any questions you may have.

The GFI Team

THE GLOBE AND MAIL

Brenda Bouw • September 12, 2025 • Toronto

Why this money manager likes Amex and Moody's and recently sold CGI

Money manager Effie Wolle has one key criterion when selecting stocks: ensuring the company isn't at risk of becoming obsolete.

The list has evolved over the years as technology, particularly artificial intelligence (AI), continues to reshape a wide range of industries.

"You can't invest today without considering what AI is going to be doing to your portfolio," says Mr. Wolle, president and chief investment officer at Toronto-based GFI Investment Counsel, which oversees \$2.25-billion in assets.

But it also doesn't mean taking speculative bets on emerging technologies or sectors. Instead, Mr. Wolle says his team looks for companies it believes will continue to grow in more established and well-understood industries while investing in new technology responsibly.

The firm's all-equities portfolio, which usually includes about 18 to 20 North American based stocks, has returned 2.5 per cent so far this year and 8.6 per cent over the past 12 months. Its annualized three-year return is 17.9 per cent, while its 10-year annualized return is 14.4 per cent. The performance is based on total returns, net of fees, as of Aug. 29.

The Globe spoke with Mr. Wolle recently about what he's been buying and selling:

Name three stocks you've been buying and continue to own

American Express Co. is a stock we bought in May, 2024, for US\$243 a share. It's a luxury credit card for the more affluent consumer. It's a bit of a status symbol, and customers

willingly pay higher fees to use an Amex card.

It has an earnings yield [the amount of its earnings per share relative to its current share price] of about 5 per cent, which shareholders get back through either dividends, share buybacks or future growth.

When you combine its earnings yield with its business growth, we think investors can get a low double-digit return over time. It's going to be bumpy sometimes – it's a stock after all – and from time to time, there will be consumer spending slowdowns, but we think it's an excellent longer-term holding.

FirstService Corp., the Toronto-based residential property services company, is a stock we bought in June, 2017, for \$84 a share. It's a one-stop shop for condo boards and homeowners' associations.

Regardless of what new technologies emerge in the coming years, someone will still need to manage these residential services, which include everything from assisting with budgets and purchasing insurance to collecting fees.

One thing FirstService has done well is reinvest its profits, including the acquisition of other residential property services in areas such as fire protection, painting, and restoration. [Some of its franchise networks include Paul Davis Restoration, CertaPro Painters, California Closets, Pillar to Post Home Inspectors, Floor Coverings International, First Onsite and College Pro Painters].

A risk for the company is overpaying for these types of assets, but a huge majority of their acquisitions have worked out really well so far in our view.

Moody's Corp., one of the two

dominant credit ratings agencies alongside S&P Global Ratings, is a stock we bought in April, 2020, for US\$235 a share. Credit ratings are a win-win for corporations and governments issuing debt. When you get a positive rating from Moody's, for example, it can reduce your cost of debt, which, in turn, lowers your overall financing costs.

Moody's is arguably the most trusted credit rating company in the business. The 2008 global financial crisis was a significant test for Moody's and Standard & Poor's. They were under intense scrutiny and rated some securities higher than they should have, but they navigated that period, which demonstrates the strength of the brands (and hopefully, they learned from that experience).

What's good about Moody's is that it sets its own price. It's not a commodity business. We believe Moody's will keep expanding as companies and governments continue to issue debt.

Name a stock you sold recently and why

CGI Group Inc. is a stock we sold in July after owning it for about 14 years. We originally bought it for \$18 a share in September, 2011.

It's an excellent Canadian business that did well for us and our clients, returning an average of about 15 per cent a year. It was also able to grow its earnings by about 10 per cent annually because it controlled its costs well and successfully completed several acquisitions.

That said, we think it'll be harder for the company to continue to achieve the same results going forward. We decided to sell it and seek out better returns elsewhere.

The Trade

In July, we sold CGI Inc. ("CGI") from client portfolios. CGI provides consulting and non-core business process outsourcing to government entities and businesses, spanning areas such as IT services, application development, finance, HR, industry specific operations and customer service.

Our primary reason for selling the company was that we no longer believed the company could achieve the rates of return we desire from our investments. From 2014 to 2024, constant currency revenue growth was 3.1% annually, including contributions from \$2.5B of acquisitions. Although the company still compounded earnings per share by 11% during this time, it was mainly driven by cost cutting and thus margin expansion, which we view as less likely moving forward.

With the proceeds from the CGI sale, we purchased Otis Worldwide Corporation ("Otis"). Otis is the largest of the four global elevator and escalator manufacturing and servicing companies. These four companies dominate the industry with 70% market share. While new equipment sales are cyclical as they are tied to new construction, construction accounts for only 10% of total profits. Roughly 90% of profits come from largely non-discretionary and recurring services such as maintenance, repairs and upgrades. These services are delivered through contracts that are typically four years in length and have a retention rate of roughly 90%. Otis has an advantage in servicing their elevators because they have more route density and better parts availability, which allows for shorter down times for customers. Newer elevators are also integrated with software which allows Otis to diagnose problems faster than local competitors.

Although new equipment sales are currently in a downturn due to China's construction slowdown, this has minimal impact on overall profits and should return to growth once the construction cycle recovers. We expect the service business to grow profits by 6-8% through most environments driven by pricing, growing the number of units under maintenance, and further margin expansion. At roughly 22x forward free cash flow, most of which is returned to shareholders, we view this as a good opportunity to own a growing and highly predictable business with minimal obsolescence risk.

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**.



*Preserving and growing
family capital™*