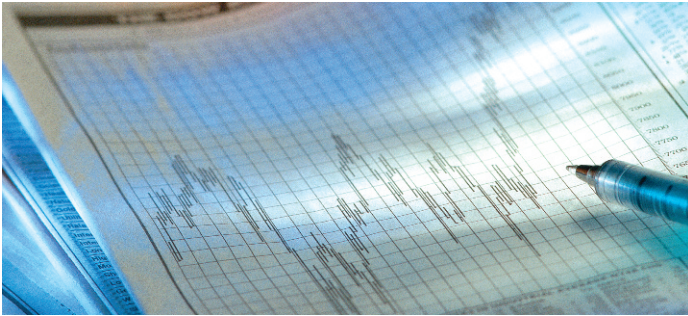


GoodQuarter

WINTER
2009



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Dear Valued Client,

Two thousand and eight could not have ended soon enough from an investment perspective. Beyond the collapse of a number of Wall Street's most venerable institutions and the historic declines of global equity markets, the year closed with one of the most significant breaches of trust that Wall Street has ever experienced. In short, 2008 is a year we will likely never forget.

The start of a new calendar year does not, however, change the reality of the global economy. The issues that arose in 2008 continue to plague businesses and economies around the world. At GFI Investment Counsel, we continue to invest in the low-risk and straightforward manner that we know and trust. We buy and hold the shares of companies that have uncomplicated businesses models, pay attractive dividends, and are dominant within their respective industries. We don't invest this way because it is popular to do so today but because we believe this is the best way to conserve capital and build wealth for our clients.

While the value of our client accounts declined in 2008, we are pleased to announce that not one of our holdings suffered a permanent loss of capital (i.e., none of the businesses we own went bankrupt or had to restructure their operations). While their stock prices are lower in a number of cases, their businesses are still intact. And, while we always think in absolute terms, we are somewhat pleased that our accounts generally outperformed the broader equity market indexes over the year.

As you likely know, we do not fancy ourselves prognosticators. From our perspective, however, 2009 will have many of the same themes and challenges we experienced in 2008. These issues will likely include:

1. **Reduced consumer spending**
2. **A continued de-leveraging of corporate balance sheets**
3. **The failure of more U.S. banks**
4. **Weaker commodity prices**

We believe GFI is well positioned for the year ahead, and we will continue to modify our holdings to best position our clients should conditions change.

Over the coming months, we will be contacting you to review your investments and ensure your portfolio reflects your objectives going forward. This is both a regulatory requirement and an opportunity to ensure your portfolio is well suited to meet your changing needs.

Please give us a call if you have any questions or concerns.

Warm regards.

Daniel Goodman, CFA
President and Chief Investment Officer

The Tax Free Savings Account

The Government of Canada introduced a new registered savings vehicle, the Tax Free Savings Account (TFSA), in its 2008 Federal Budget. The structure of the TFSA permits taxpayers to save or invest their money in eligible accounts, without paying income tax on the investment income or capital gains earned.

TFSA BASICS

- 1. Who is eligible for the TFSA?**
Canadians aged 18 and older.
- 2. Are contributions to the TFSA tax deductible?**
Contributions to the TFSA are not tax deductible, but investment income — including capital gains — are not taxed, even when withdrawn.
- 3. What happens to unused TFSA contribution room?**
Unused TFSA contribution room can be carried over to future years.
- 4. What can funds from the TFSA be used for?**
Funds withdrawn from your TFSA can be used anytime and for any purpose.
- 5. If I withdraw funds from my TFSA, can I then replace those funds?**
Yes, the amount withdrawn can be put back into your TFSA at a later date without reducing your contribution room.
- 6. How does the amount held and/or withdrawn from the TFSA affect my eligibility for government benefits?**
Neither income earned in — or withdrawn from — your TFSA will affect your eligibility for federal income-tested benefits and credits.
- 7. How is the TFSA handled among spouses?**
All TFSA assets can be transferred to a spouse upon death.

To open your TFSA today or to learn more, please call our office at 416.488.8825

Trust in Your Investment Counsel

The recent discovery of a massive fraud committed at a securities firm in New York is sending shockwaves throughout the investment community. That such a large scheme could play out under the supervision of the U.S. Securities and Exchange Commission has sent a shockwave through the global financial industry.

When meeting new prospects, GFI lists the three items we believe are the most important characteristics of an investment counsel. They are:

- 1. Trust**
- 2. Low Fees**
- 3. Performance**

Our philosophy at GFI has always been to keep things as simple as possible. We believe simplicity encourages high-quality investments and helps create increased transparency for our clients. Your account holds the shares of easy-to-understand, high-quality businesses, as well as transparent and creditworthy corporate and government bonds.

As part of this transparency, and as required by securities law, GFI does not act as custodian of our clients' funds; only as manager. Thus, your funds are held by a third party, usually

Dundee Securities or a separate custodian of your choice, and can be verified online at any time by visiting: www.gfiic.com. You can also verify your holdings on your monthly statements. We embrace openness and encourage all our clients to bring us any questions they may have.



Please contact our office today at 416.488.8825 if you would like us to arrange online access for your account.



Even a **Flight to Safety** Can Hit Some *Turbulence*

In the panic that gripped financial markets over the past four months, investors around the world began to act in what we believe are peculiar ways. On December 9, 2008, for example, the U.S. government issued four-week Treasury bills at a yield of 0%. The issue was oversubscribed ... by a multiple of four times! In other words, investors were fighting for the chance to lend the U.S. government money for nothing in return. *But why?*

There are a few plausible answers, but none seem very logical. Some investment managers must rebalance their portfolios and ensure that a specific percentage of their assets are in Treasuries. Given the collapse of equity markets and strengthening of the bond market however, a reasonable conclusion is that the current allocation of investment managers is already skewed in the opposite direction (i.e., overweight Treasuries, underweight equities).

Another possibility is the fear among investors that cash (as a result of Federal Deposit Insurance Corporation limits) and all non-government-issued

securities are critically at risk. While we do believe investors must tread carefully in these uncertain times, high-quality corporate bonds and municipal/provincial bonds offer an attractive risk/reward profile compared to the 0% returns offered by shorter-term U.S. government bonds.

Eventually, U.S. government bonds will provide a reasonable rate of return. And, because of the nature of bonds, their prices will fall as interest rates rise. This means that even “safe” investments like U.S. government bonds could result in significant risk in the form of price depreciation and, for Canadian investors, currency risk. These risks, which can be somewhat significant, are not what most investors expect when they’re looking for safety.

We believe investors are better off holding their assets in cash, which offers the advantages of additional flexibility and less risk than U.S. government bonds. We, however, prefer to own Canadian government and high-quality corporate bonds.

GFI Investment Counsel and GoodFunds

GFI Investment Counsel (“GFI”) is a discretionary money manager that provides tailored investment portfolios based on each client’s unique risk level.

GFI is a bottom-up, long-term investment firm that invests primarily in North American public markets. GFI will, however, invest outside North America when quality opportunities arise. GFI meets with the management teams of prospective investments whenever possible, and places a high degree of importance on the quality and experience of these management teams when making investment decisions.

In January 2008, GFI launched Good Opportunities Fund (the “Fund”), an alternative investment fund that is the first of the “GoodFunds” series of investment products. The Fund will invest in opportunities that exhibit a high likelihood of outperforming the broader equity markets based on GFI’s proprietary research, while maintaining a focus on profitable, growing companies that adhere to GFI’s strict value discipline.

For more information about GFI Investment Counsel, the Good Opportunities Fund, or GoodFunds, please call **416.488.8825** or email info@goodfunds.ca.

