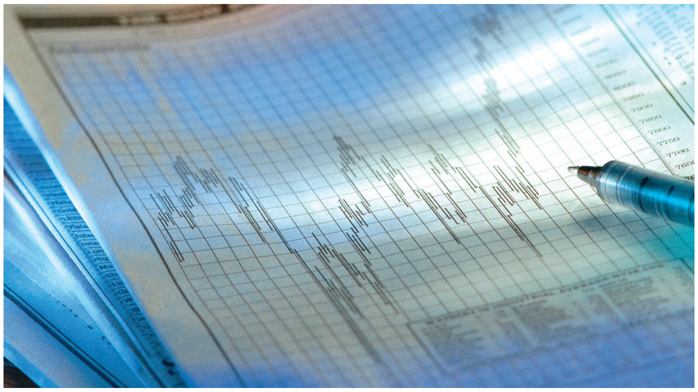
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter

SPRING 2012



IN THIS ISSUE

- **What is Risk?**
  It's different things to different people
- **GFI in the News**
  When looking for financial information, the experts turn to GFI

Dear Valued Client,

At the risk of sounding like a broken record, we are pleased to report that, year-to-date, client accounts continue to increase in value while our focus on protecting your capital remains our number one concern.

In the first three months of 2012, most global stock markets rose over each successive month. The commodity-heavy S&P/TSX Composite Index rose, albeit at a slower rate than international stock markets. Our mix of businesses, many operating globally, performed admirably and continued to increase their profits and dividends. For the most part, the share prices of these businesses rose in lockstep. Our businesses remain dominant in their industries and should continue to appreciate in value.

Over the past 12 months, 10 of our 14 businesses have increased their quarterly dividends. Brookfield Asset Management Inc.; The Bank of Nova Scotia; Automatic Data Processing, Inc.; Canadian National Railway Co.; Tim Hortons Inc.; H.J. Heinz Company; Fortis Inc.; The Procter & Gamble Co.; Enbridge Inc.; and The Jean Coutu Group (PJC) Inc. – all companies held in our client accounts – increased their dividends between 3.4% and 23.5%. These dividend increases are the direct result of these business's operating performance and increased profits.

At GFI, we measure success based on one overriding goal: our ability to preserve and grow your capital. While we are satisfied with our results to date, we will continue to work to meet this goal.

We have seen steady growth at GFI over the past two years. Our business has grown from managing the investment portfolios of roughly 45 families to managing the wealth of 61 families today. In light of this, and to help provide unparalleled client service and office administration, we are pleased to announce that we have hired a new office manager. Monica Marchand will be joining GFI at the beginning of May. Monica brings extensive experience working in the financial sector to GFI, and will help us continue to provide the personalized service you have grown accustomed to over the past five years. When you hear a new voice on the phone in the coming months, please be sure to welcome Monica aboard!

We hope you have enjoyed the balmy winter weather and we look forward to catching up with you again in the spring.

Warm regards,

Daniel Goodman, CFA
President and Chief Executive Officer

Effie Wolle, CFA, MBA
Vice President, Investments

What is Risk?

It's different things to different people

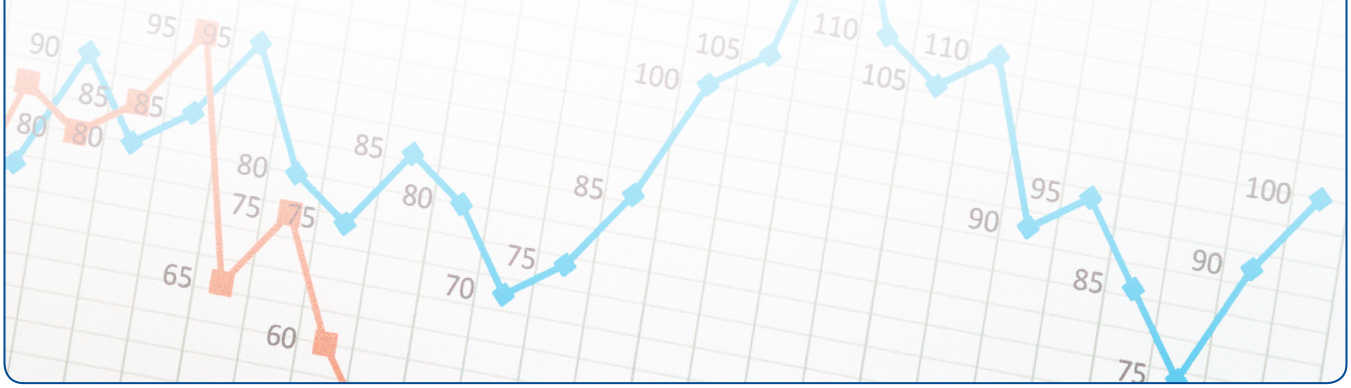
Our industry often discusses risk management when marketing its services to clients and prospects. What exactly is risk management, and how can one limit the amount of risk in their portfolio while achieving acceptable returns?

At GFI, we define risk as the permanent loss of capital. An example of a permanent loss of capital is when you buy equity in a business that goes bankrupt under a large amount of debt. In bankruptcy, the business usually ends up in the hands of creditors and equity holders suffer a loss of their entire investment. In this instance, the investment has permanently lost its value, and the company has no chance of providing any future value to shareholders.

Many in our industry, however, define risk using terms like "beta" and "standard deviation." While we are aware of these terms and why they are used, we do not believe they are true indicators or measures of risk. Instead, they measure asset price correlation and variability in asset prices.

To illustrate this point, let us picture a superb office building in a perfect location; one that has creditworthy tenants and long-term leases. A long-term investor cares about the structure of the leases, rent escalations, mortgage levels, and the creditworthiness of the building's tenants. Investors concerned about beta and standard deviation, however, tend to be more interested in the difference in price that a random group of investors are willing to pay (standard deviation), or the change in price relative to the market as a whole (beta). Both metrics are irrelevant over a longer period of time.

At GFI, we believe that true risk management is comprised of understanding your assets, remaining paranoid about what can go wrong at any point, and ensuring that a fair price is paid for those assets. We will let other industry participants and consultants espouse the merits of statistical terms. We will continue to manage your money with discipline, reasonability, and not-so-common common-sense. We believe that this approach will provide you with preservation and growth of your hard-earned capital.



GFI in the News

When looking for financial information, the experts turn to GFI

FINANCIAL POST

What they don't own is key; Almost 25% held in cash

Wed Feb 1 2012 —— Jonathan Ratner

MANAGER PROFILE

Managers: Daniel Goodman & Effie Wolle, GFI Investment Counsel

Portfolios: High net worth private client portfolios, Good Opportunities Fund

Description: Concentrated portfolio of high-quality equities and fixed income

AUM: $160-million

Performance: 1-year +7.4%, 3-year +12.2%, 5-year +5.1% (Equity Balanced portfolio as of December 31, 2011)

Management fee: 1.35% on first $2-million, tiered thereafter

For Dan Goodman and Effie Wolle, strong results are often driven by what isn't in their portfolios. The managers at Toronto-based GFI Investment Counsel won't buy a company if they can't identify what it will look like in a decade.

"If we're not comfortable with the competitive landscape going out five, 10 or 20 years, we take a pass," Wolle said. "Sometimes that takes us away from things that look attractive to others, but it saves us from losing money periodically."

As a result, they've avoided troubled companies such as Yellow Media Inc. and Research In Motion Ltd., focusing instead on names with sustainable competitive advantages, such as Canadian National Railway Co., which benefits from being in an industry that has high barriers to entry. Even if someone had the money to build a competing railway, the land would be impossible to obtain.

"When we're buying businesses, we can't control whether the market is going to go up or down, but we can control the factors around that business," Goodman said. "To us, that is tremendous risk mitigation."

The managers' segregated portfolios typically consist of 13 to 15 equities and 10 to 12 bonds, mostly corporate names in the four- to seven-year range.

The Good Opportunities Fund uses a long-short strategy, allocating approximately 75% to equities and the rest mostly in cash, something the managers are comfortable with given the absence of great buying opportunities.

"We're not just going to buy market exposure," Goodman said. "We're going to buy a great business when we see the opportunity for our clients to make a lot of money. In the absence of that, cash is king.".

BUYS

ICONIX BRAND GROUP INC. (ICON/NASDAQ)

The position: Purchased for Good Opportunities Fund in past six months.

Why do you like it? The owner and licenser of a variety of retail brands, including Joe Boxer, Candies and Mossimo, doesn't do any manufacturing of its own. "It just markets the brands and therefore requires very little capital outlay," Goodman said. "As a result, they have very attractive margins and their cash flow is large and growing." Iconix receives royalties from retailers such as Wal-Mart and Target that have guaranteed minimums, which provides a strong revenue floor and means less sensitivity to discounting.

Biggest risk: Spending too much on acquisitions, thereby weakening brands.

CGI GROUP INC. (GIB.A/TSX)

The position: Long-term holding in fund, actively bought and sold for clients as needed.

Why do you like it? The managers say this technology consultant and systems integrator is attractively priced, particularly given its large free cash flow generation. CGI doesn't require a lot of capital and its business model is pretty sticky, which leads to a lot of recurring revenue. "CGI has multi-year contracts with large corporations that rely on it," Wolle said. "It's not that different from Warren Buffett buying IBM." Goodman points out the company also has a strong balance sheet and operating leverage. "Historically, they have used a lot of their free cash to buy back a ton of stock," he said. "They have ample free cash, so I wouldn't be shocked to see a dividend in the future."

Biggest risk: Potential government cutbacks.

BROOKFIELD ASSET MANAGEMENT (BAM.A/TSX)

The position: Core position for all client portfolios.

Why do you like it? Brookfield essentially has two businesses: one that generates highly recurring revenues in sectors such as power generation, real estate and infrastructure; and the other produces lumpier gains from buying distressed companies through its own private equity funds and others. "Over time, when you buy great assets it just continues to accumulate in terms of your cash flow and earnings ability," Wolle said, noting that Brookfield has earned in excess of 15% per year for more than 20 years. Goodman added the company has unmatched access to cheap capital on both the debt and equity side.

Biggest risk: Emerging market exposure, interest rate sensitivity.

SELL

CENVEO INC. (CVO/NYSE)

The position: Short position in fund.

Why don't you like it? While the managers see room for some printing companies in a cyclical and declining industry, they say Cenveo has too much debt on its balance sheet. The printer of business documents, envelopes and other forms has a debt-to-equity ratio of roughly 90% and continues to post negative organic growth year after year, so the managers believe it may be unable to meet its debt covenants in the next couple of years."

Potential positive: "A strong cyclical recovery could keep the company above water."

GFI Investment Counsel and GoodFunds

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 the Good Opportunities Fund ("the Fund"), an alternative investment fund available to accredited investors. The Fund is the first in the "GoodFunds" series of investment products. 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.

The highest compliment you give us is the referral of family, friends, and business associates.

If you know anyone who would benefit from working with GFI Investment Counsel, please refer them to our office, call us at 416.488.8825, or email us at info@gfiic.com. Additional information can be found on our website at www.gfiic.com.

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