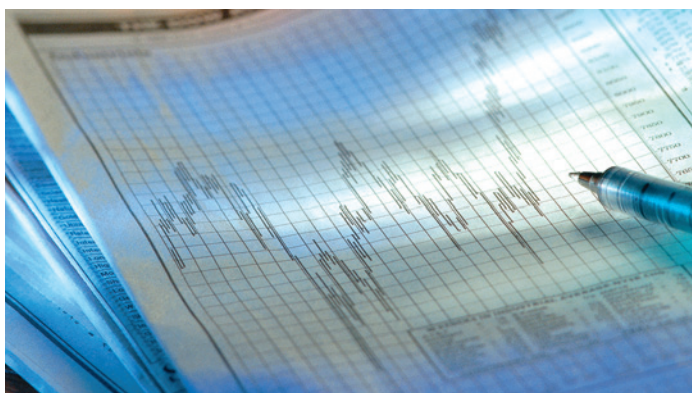


GoodQuarter

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Dear Valued Client,

The account values of GFI's clients have continued to rise over the first nine months of 2013. What has been unique thus far this year, however, is that bonds, as an asset class, have lost value. Given that interest rates have been decreasing for nearly three decades, it is not surprising that interest rates may continue to rise and thus, bond prices may fall further.

Importantly, our clients' accounts own a basket of short- and medium-term corporate bonds that have limited the financial impact of falling bond values. While our bond portfolios are down less than 1% for the year, the historical returns and moderate volatility that bonds provide mean that bonds should continue to play an important role in our clients' accounts.

Our equities have performed admirably and, combined with our bonds, our “Equity Balanced Composite”, a portfolio with roughly 70% equities and 30% fixed income, has returned 7.4% annually over nearly nine years.* It is important to note that this nine-year timeframe includes the 2008-2009 credit crisis, along with the bursting of the commodities bubble.

Our only material trade during the quarter was the purchase of TD Ameritrade and the sale of SPDR Gold Shares (GLD), our proxy for gold bullion. In TD Ameritrade, we have found a best-in-class business with excellent prospects, limited competition and significant operating scale. The company pays ongoing dividends and we strongly believe this company should help us protect and grow capital more efficiently than gold.

We hope we have fulfilled our goal of protecting and growing your capital, so that you can spend more time focusing on what really matters: your family and loved ones. We, in turn, will continue to focus on finding and investing in best-in-class businesses that meet our investment parameters to protect and grow your wealth.

Warm regards,



Daniel Goodman, CFA
President and
Chief Executive Officer



Effie Wolle, CFA, MBA
Vice President and
Co-Chief Investment Officer

Investing Our Way

We are often asked by prospects – and occasionally by the media – about what we think the stock market will do in the coming months. Our response is always the same and it’s always boring. “We haven’t the faintest idea.” Our approach emulates that of Charlie Munger and Warren Buffett, who said that, “A prediction about the direction of the stock market tells you nothing about where stocks are headed, but a whole lot about the person doing the predicting.”

The press is paid to predict the direction of stock markets, gold prices and nearly everything else in financial markets. We do not believe anyone has the ability to repeatedly and accurately predict the short-term movements of securities. As such, we do not try to make such predictions. Instead, we prefer to purchase quality companies that should grow in value over time.



The Buy — TD Ameritrade

This past quarter, GFI purchased TD Ameritrade for client accounts. TD Ameritrade operates as an online broker and custodian in the American investment industry, offering a trading platform for do-it-yourself investors, as well as custodial and administration services for investment counsellors such as GFI. TD Ameritrade has nearly all of the qualities we look for when researching a potential investment. The characteristics of TD Ameritrade that are most attractive to us include:

1. A strong brand in an industry that is dominated by a few large competitors;
2. Recurring revenue in various business lines (interest rate spread, margin loans and trading);
3. Little net debt;
4. Growth emanating from several business lines;
5. Adequate capital to execute its business plan and deploy capital to shareholders through dividends and share buybacks;
6. Significant operating leverage that results in little incremental cost for additional revenue earned; and
7. Significant revenue growth if interest rates rise.



TD Bank Financial Group owns roughly 40% of TD Ameritrade, and has been an excellent shareholder and partner of TD Ameritrade. We expect to benefit as TD Ameritrade grows in value over time.

A Look Back at the Credit Crisis

Although nearly five years have passed, the memories of the 2008-2009 credit crisis are still quite fresh for many of us. Stock prices plummeted daily, corporate bonds decreased in value and cash was deemed king by the media. Looking back, there are a few things we did right during the crisis, and some things we did wrong:

What We Did Right

- ✓ We didn't panic. We maintained our discipline and perspective. That is what we get paid to do.
- ✓ We bought quality stocks at depressed prices. We bought both Canadian National Railway Company and Enbridge Inc. at prices less than half of where they trade today. These are world-class businesses. We did not take risks by investing in weaker-quality businesses.
- ✓ We communicated with you, our clients. It is important to talk through the events and explain our rationale and decision-making process.

What We Could Have Done Better

- ✗ We could have bought more bonds, which were being offered with exceptional yields (given their ranking on the balance sheet).
- ✗ We could have more aggressively communicated with you to let you know that during times of panic, stocks go on sale. Indeed, that is often the best time to buy, not to sell.

Perhaps, most importantly, we believe the credit crisis was a learning experience that will pay dividends for years to come. We refined our investment process, instituted a checklist that we use before we purchase any security, and gained the ability to act decisively when an opportunity presents itself.



GFI Investment Counsel

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**.



GFI Investment Counsel Ltd.

Preserving and growing family capital™