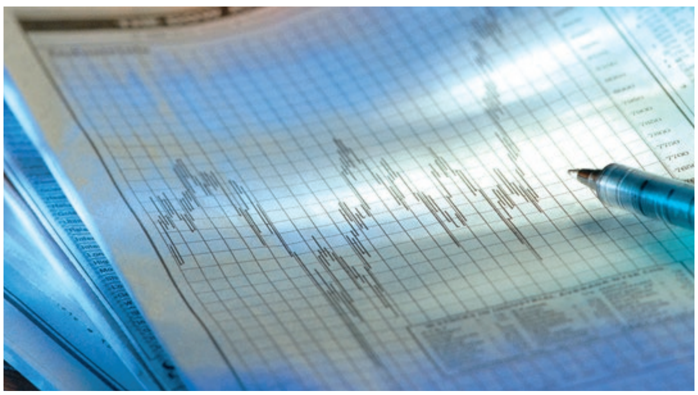
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter Q3'18



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"All I want to know is where I'm going to die so I'll never go there."

— Anonymous

Dear Valued Client,

As the weather starts to turn gloomy, we are happy to report that GFI has generated excellent equity returns over the first nine months of 2018. Conversely, year-to-date bond returns were essentially flat to the end of the third quarter. The good news is that future bond yields have increased as a result. While it's always tempting to decrease bond allocations after a period of modest returns, bonds play an important role for those clients who want less volatility and consistent income, and are key to effective diversification during periods of declining equity markets.

GFI recently introduced a financial planning service to help you plan and strategize for your long-term needs. Corey Deschamps, Certified Financial Planner, is an excellent resource when you want to review your long-term plans, so please reach out to Corey today!

This is our third quarter delivering your quarterly statements electronically. We hope you are pleased to be receiving your information electronically and we encourage you to reach out if you are having any issues accessing your statements on our website. If you require a new password, our updated system enables you to reset your login information at your convenience and without having to contact our office. An e-mail will automatically be generated that will provide instructions for creating a new password.

Thank you, as always, for entrusting us with your assets. Please give us a call if you have any questions or concerns you would like to discuss.

Daniel Goodman, CFA
President and
Chief Executive Officer

Effie Wolle, CFA, MBA
Chief Investment Officer

How often is too often?

We are frequently asked by clients how often they should review their account balances. It's a good question, and one that is not easily answered. Depending on your personality and free time, the answer can vary quite a bit.

First some statistics. The table beside illustrates the probability that the S&P 500 Index, a rough barometer of the U.S. stock market, finished up or down during the period from 1926 to 2015:

Time Frame	Positive	Negative
Daily	53.1%	46.9%
Quarterly	68.8%	31.2%
One Year	74.7%	25.3%
5 Years	87.5%	12.5%
10 Years	94.1%	5.9%
20 Years	100%	0%

Source: Global Financial Data, Inc. as of 12/31/2017.

To simplify, on any given day, the stock market was up 53.1% of the time. In any given year, however, the stock market was up 74.7% of the time. In other words, the longer the time frame, the more likely the news is good news. So, should we check our investment accounts once every 20 years? Definitely not. In fact, we recommend clients check their accounts on a quarterly (or monthly) basis to keep tabs on their deposits, withdrawals, performance and account balances.

While owning more liquid investments — meaning those that are more actively traded – offers significant benefits compared to owning illiquid assets, that benefit can be muted if one checks their portfolios too often. Long-term equity returns are superior to fixed-income returns, but that stronger performance comes with higher volatility. Checking portfolios too often can be counterproductive and lead investors to make asset allocation decisions based on short-term market movements rather than to reflect their long-term goals.

Stock ownership provides the best results when assets are left to accumulate over a long period of time. We always recommend our clients do their best to avoid short-term impulses and allow that process to take place, which should help them better realize the aforementioned long-term result. At the end of the day, avoiding short-term investment decisions often results in the greatest long-term rewards.

From the Financial Planning Side

Wills – Dying Intestate

A staggering number of Canadians, of all income levels, do not have a valid will in place. Aretha Franklin is one of the recent famous cases of dying without a will, joining Prince, Sonny Bono and many other celebrities who died without estate plans. Ms. Franklin reportedly accumulated a net worth of $80 million, but didn't take the necessary steps to ensure her money was distributed according to her wishes.

Without a valid will in place in the Province of Ontario, an individual's estate is generally distributed to their spouse and children, followed by their next of kin. A common misconception is that an individual's spouse will receive the entire estate, when, in fact, the spouse will receive a preferential share of $200,000. The remainder is divided equally between the spouse and the deceased's children. Depending on the number of children there are in the family, the spouse's share can be much smaller than anticipated.

An individual is deemed to have disposed of his or her assets on the day prior to death. This means any balance in RRSPs is taxed as income, and unrealized capital gains are realized on real estate and non-registered investments. However, there is a provision that allows capital property to be transferred to a spouse on a tax-deferred basis. This results in the majority of tax payable upon the death of the second spouse.

With a properly drafted will, you can dictate exactly how your estate is distributed to your heirs and carve out specific gifts to the charities of your choice. There are also estate planning tools you can use to minimize the Estate Administration Tax (formerly probate). Many wealthy families often choose to stage the distribution of their wealth so their children do not inherit the entire amount at the age of majority.

Secondary Will Strategy

A common strategy for business owners in Ontario is to have two wills – a primary will and a secondary will. The goal is to have the individual's assets that are subject to the Estate Administration Tax pass through the primary will, while assets that are not subject to this tax (private corporation shares) pass through the secondary will. The Estate Administration Tax is approximately 1.5% of the total estate value. Since business owners generally accumulate a large portion of their wealth within their corporations, the ability to avoid this tax can result in substantial tax savings.

There was a recent court case that challenged the validity of this strategy. In this case, the primary will was worded in a way that gave the executor the discretion to determine which property was subject to the primary will. The wording used undermined one of the three certainties of establishing a valid trust – subject matter. It was not clear at the date of death which assets would be included in the primary will. The court stated that since the trustees could use their discretion to determine which assets would be included after the trust was established, the primary will was invalid. Ultimately, the secondary will was deemed valid.

Clients with secondary wills in place should consult with their lawyer to ensure their estate planning objectives will be accomplished in light of this court case (Milne Estate, September 2018). For clients who do not have wills — or who have outdated wills — GFI is happy to refer you to a lawyer who specializes in estate planning.

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**.

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