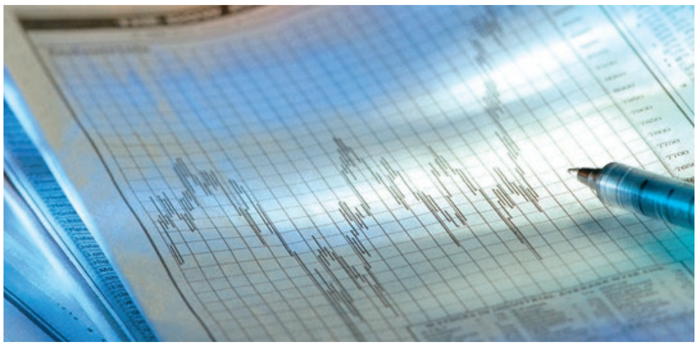
GFI Investment Counsel Ltd.
Preserving and growing family capital™

GoodQuarter Q1'19



IN THIS ISSUE

"It's not brilliance. It's just avoiding stupidity"

— Charlie Munger

Dear Valued Client,

The last six months have been an excellent reminder that predicting the stock market's short-term direction is a fool's errand. In that timeframe alone, stock prices fell nearly 20% and recovered all those losses shortly thereafter. Even if an investor had timed the market perfectly (selling during the fall 2018 high and buying back in right before Christmas), they would be worse off (in taxable accounts) as a result of capital gains taxes owed.

On page 4 of this newsletter, we have included our historical performance, which for some models, now spans 14 years. These results were achieved by staying fully invested over that entire 14-year time period. It's worth noting that this time period included severe stock declines and numerous negative headlines. Over that time we were pleased to learn that we really do have many like-minded investors as clients, as you have all shown an amazing amount of patience through the recent volatile period – and the many volatile periods prior.

To re-iterate our thinking, profitable businesses earn a positive rate of return and cash generated either improves a company's balance sheet, funds acquisitions or returns capital to shareholders. All of these options create shareholder value. To bet against this simple math is an ill-conceived notion over the long term. If, at any point, an investor is concerned about portfolio volatility, the best approach is a higher allocation to fixed income. The right answer is never market timing.

Our portfolio companies continued to perform admirably in the first quarter of 2019. We sold Blackrock and purchased Schwab, a change to our portfolio that we delve into on page 2 of this newsletter. Aside from this change, it was a fairly quiet quarter, which didn't stop the portfolio from earning a more-than-respectable gain.

Thank you for continuing to trust us with your assets. We ask, as always, that you please give us a call if you have any questions or concerns that you would like to discuss.

Daniel Goodman, CFA
President and
Chief Executive Officer

Effie Wolle, CFA, MBA
Chief Investment Officer

The Trade

We sold our ownership in Blackrock, Inc. and purchased shares of The Charles Schwab Corporation ("Schwab") in the first quarter of 2019.

In addition to its traditional asset management business, Blackrock owns the iShares brand of exchange-traded funds ("ETFs"), and is the largest ETF provider in the world. iShares has been experiencing large annual net inflows and has grown its assets at double-digit rates during the period in which we owned Blackrock shares.

ETFs, however, are becoming increasingly commoditized. There is no service or advice component of an ETF offering and, as such, a tech ETF by Vanguard provides the same exposures as a tech ETF offered by Blackrock. There is little that distinguishes the two products.

Blackrock's principal competitor, Vanguard, has been aggressive in lowering fees. Naturally, this has put pressure on Blackrock and other providers to do the same. Although Blackrock's iShares ETF platform continues to lead the industry and gather the largest amount of net flows, revenue growth has lagged assets under management growth, as ETF fees have continued to fall over the past few years. And while assets have increased significantly, margins have not, given the falling fee environment.

ETFs with fees of more than 0.40% are hardly attracting capital, and the majority of growth is being experienced in very low margin products.

As we believe this trend is likely to continue, Blackrock was replaced in client portfolios with Schwab, the largest online broker in the U.S. – with 12 million brokerage accounts and US$3.5 trillion in client assets.

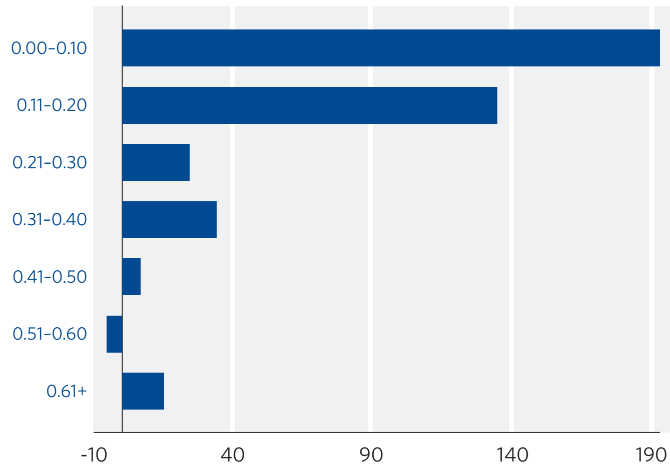
Schwab has a more diversified revenue base than Blackrock and does not face the same risks. More than half of Schwab's asset-based fees are generated from in-house funds and advisory. Additionally, 40% of the company's revenue comes from Schwab Bank, which earns profits largely the same way as any other bank: by investing client deposits at a higher interest rate than the bank pays to clients. If, over time, interest rates increase, Schwab's net interest margin would grow considerably.

Trading commissions are already less than 10% of company revenue and Schwab offers low-priced trading fees, which reduces the risk of fee compression.

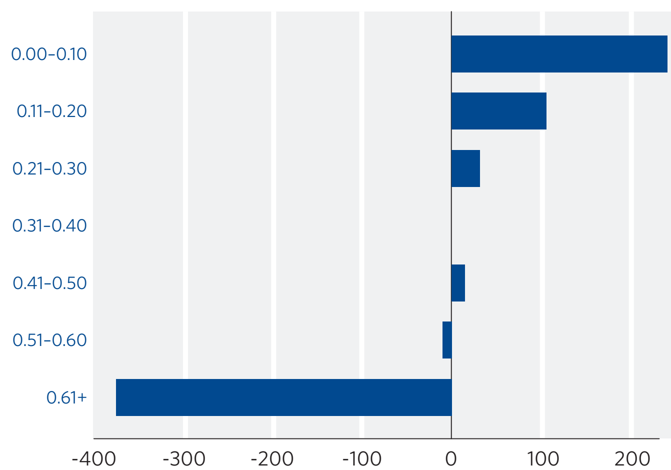
Schwab's business model offers clients several ways to join the platform. The company offers self-directed online accounts to clients. Clients can also use a Schwab advisor or use a third-party investment manager and simply use Schwab as a custodian – much in the same way National Bank Independent Network acts as GFI's custodian. Within each model, Schwab is a trusted service provider offering excellent value and a long-term, mutually beneficial relationship to clients.

Both Schwab and Blackrock are benefiting from the trend of assets moving away from traditional mutual funds and bank advisors. Schwab, however, is a diversified and client-friendly company that adds value by being more than just a place for clients to park money. Schwab provides investment advice, banking and financial planning services. We are excited by the tenure of client relationships Schwab has, as well as by the company's long runway for growth.

ETF FLOWS BY FEE RATE (2016 +1Q17)



MUTUAL FUND FLOWS BY FEE RATE (2016 +1Q17)



GFI Investment Counsel Performance Summary

as of March 31, 2019

The following are the historical performance summaries of GFI Investment Counsel's portfolios. Please contact us at the number below for more information.

Portfolio	YTD	1 year	3 year*	5 year*	10 year*	Since Inception**
Equity	14.7%	12.7%	15.6%	17.4%	—	16.7%
Equity Balanced	11.5%	9.8%	12.5%	12.9%	14.3%	10.0%
Balanced	9.6%	8.6%	10.0%	10.1%	11.2%	8.1%
Fixed Income Balanced	7.2%	5.7%	7.1%	6.8%	—	7.5%

Portfolio	2018	2017	2016
Equity	-0.2%	22.5%	10.3%
Equity Balanced	-0.1%	17.3%	8.5%
Balanced	0.3%	13.1%	6.9%
Fixed Income Balanced	-0.9%	9.6%	5.3%

*Annualized.
**Equity inception is April 29, 2011. Equity Balanced and Balanced inception is January 31, 2005. Fixed Income Balanced inception is January 29, 2010.

1 Equity portfolios include all managed accounts with 100% equity holdings.
2 Equity Balanced portfolios include all managed accounts with equity holdings of 61% to 80% of total assets.
3 Balanced portfolios include all managed accounts with equity holdings of 41% to 60% of total assets.
4 Fixed Income Balanced portfolios include all managed accounts with equity holdings of 21% to 40% of total assets.
5 All equity composites over $200,000 managed on a discretionary basis within GFI Investment Counsel are included in performance figures.
6 All equity balanced, balanced, and fixed income balanced composites over $500,000 managed on a discretionary basis within GFI Investment Counsel are included in performance figures.
7 Composites do not utilize leverage.
8 Composites are net of all fees.
9 A fee schedule is available upon request.
10 The exchange rate used to convert non-Canadian holdings is the rate supplied by our custodian at quarter end.
11 GFI Investment Counsel's investment style most closely resembles value investing.
12 Each portfolio's inception date is determined by the date at which discretionary management originated.
13 All figures are quoted in Canadian dollars.
14 Performance figures are asset weighted.
15 Non-resident taxes are added back, where applicable.
16 GFI Investment Counsel received its license to operate from the Ontario Securities Commission in July of 2007.
17 All returns calculated prior to July, 2007 were based on accounts managed by Daniel Goodman, CFA, (continually) while an Investment Industry Regulatory Organization of Canada (IIROC) licensed portfolio manager.

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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