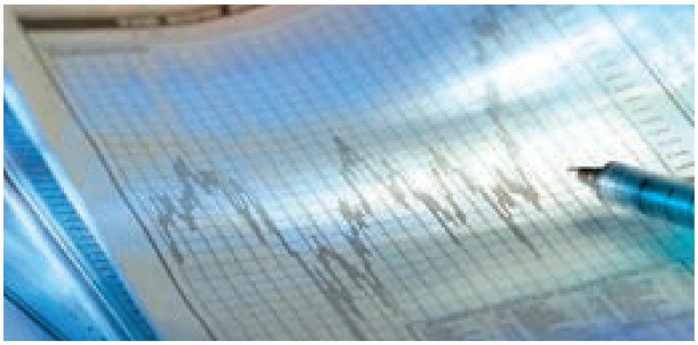
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter Q2'20



IN THIS ISSUE

› Portfolio Changes

"The investor's chief problem—and his worst enemy—is likely to be himself. In the end, how your investments behave is much less important than how you behave."

— Benjamin Graham

Dear Valued Client,

The stocks in your account gained approximately 18% over the second quarter. After decreasing 11.3% in the first quarter, and accounting for the effects of compounding, our chosen stocks are up about 4.5% year-to-date, reminding us that the future is entirely unpredictable.

While the pandemic continues, the emotional roller coaster of securities markets has taken a break, at least temporarily. The focus of headlines has moved away from stocks and bonds, and onto the coming U.S. election – as well as the ongoing impacts of COVID-19. Stock markets will continue to hit bumps in the road, of that we can assure you. Although market volatility might seem irrational and frightening, know that we will not make any long-term decisions based on daily market gyrations.

We are proud of how composed our client base was during the volatile days of February, March and April. As the above quote from Benjamin Graham illustrates, a decade of investment success can be undone with one poorly timed decision. Investors who stayed the course and continued to deploy capital in accordance with their long term plan were rewarded for doing so.

During the tumultuous days of spring, we were forwarded dozens of articles predicting the further collapse of the stock market and the impending collapse of society. These articles were often well written and included the authors' best predictions. Quite often, however, the author(s) failed to consider humanities' response to past crises. The response, in this case, took a number of different forms. We had

Continued on next page

Continued from page 1

the response of government and the banking system, the response by society practicing physical distancing, as well as the ingenuity and responsiveness of the wider capitalist economy. We now hope that science develops effective antiviral drugs or vaccines in a timely manner.

Our clients come from different backgrounds and exhibit different behavioural patterns. Those clients who checked their accounts daily naturally saw the most volatility in their account balances. Conversely, clients who checked their statements monthly only saw their February month-end, March month-end and the subsequent rebound in April, May and June. Given that our investment time horizon is measured in years, and often even decades, checking account balances daily is incongruent with our time horizon and only serves to worry investors unnecessarily. We believe checking your account(s) monthly is optimal, ensuring that deposits and withdrawals are properly accounted for and balances are roughly in line with expectations.

We wanted to congratulate Ram Bindra for being promoted to Senior Investment Analyst at GFI. Ram continues to play an important role on our investment team, and is highly involved in every portfolio decision we undertake.

Enjoy the summer months, know that there will be bumps along the road and, above all, stay healthy.

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 you would like to discuss.

Daniel Goodman, CFA
Chief Executive Officer

Effie Wolle, CFA, MBA
President and
Chief Investment Officer

Portfolio Changes

While we pride ourselves on having low portfolio turnover and minimal realized capital gains, we make changes briskly when we deem it necessary. We sold three businesses and purchased three new companies as replacements during the second quarter.

Two of the businesses sold, Bank of Nova Scotia ("BNS") and Brookfield Asset Management ("BAM"), were purchased in 2008, while the third, Colliers International ("Colliers"), was purchased in 2019.

The decision to replace a portfolio company is based on an incumbent company's prospects compared to those of the new business. A decision to sell might be based on a legacy holding having become less attractive as a business, its market value becoming detached from its prospects, or our team simply finding a new company that we think merits inclusion in the portfolio. Most often, the final decision is based on some combination of the three.

BAM garners between 15%-20% of its cashflow from Brookfield Property Partners ("BPP"), whose assets are largely office and retail properties. While many investors are trying to predict the future of both asset classes, we will summarize our thoughts by simply stating that the pandemic has not improved their future prospects. In calendar-year 2019, against a fairly robust economic backdrop, BPP's office portfolio had "same-store" growth of 3%. While we cannot say for certain what the long-term impact of the work-from-home phenomena will be, we do not think it will result in additional office space being rented or an increase in rental rates. As such, we believe long-term growth at BPP will be flat or negative.

The retail portfolio, which has experienced higher growth rates than the office portfolio recently, will likely suffer as a result of decreased traffic stemming from the spread of COVID-19 and the resulting bankruptcies of both anchor and smaller tenants. These trends, combined with a highly leveraged balance sheet at BPP, were enough for us to sell the parent company, BAM. BAM is well positioned in its other subsidiaries, but we will watch from the sidelines going forward. The benefit of investing in public markets is that, when circumstances dictate, we can efficiently change a portfolio holding.

Similar themes are the rationale behind our sales of Colliers and BNS. In both cases, we believe growth rates of the past will be difficult to achieve over the long term. While we believe all three of these businesses are managed by capable executives, we are in the enviable position of being able to alter our ownership in businesses through public markets with minimal friction.

Over the past decade, we have studied the businesses that we have had the most success investing in, and we have always considered the circumstances of these successful investments when buying new portfolio businesses. With all three of our new holdings, we are buying businesses that have:

1. Exceptional brands
2. Minimal cost of goods sold for the incremental customer
3. Minimal capital expenditures
4. Multi-decade runways for growth

Our biggest competitive advantage is our long-term approach to investing. Ironically, this investment approach has resulted in positive short-term returns – in addition to our strong long-term track record. While our competitors try to guess what the coming macroeconomic environment and next quarter's earnings announcements will look like, we will continue to ensure our portfolios are well-positioned for decades to come.

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™