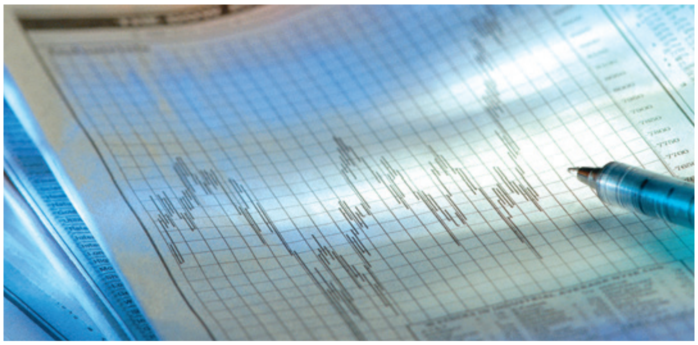
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter Q3'20



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"You get recessions, you have stock market declines. If you don't understand that's going to happen, then you're not ready, you won't do well in the markets."

— Peter Lynch

Dear Valued Client,

The stocks in your account gained approximately 9.5% over the third quarter of 2020. Your portfolio of stocks are up roughly 14.5% year-to-date, and we have certainly been rewarded for remaining invested through the pandemic quicker than we could have imagined.

The stock market continues to jump from one worry to the next. The glaring concern today is the upcoming U.S. election. Rest assured, there will be financial market volatility associated with the election, its aftermath and fear of the unknown. Like the last U.S. election, Brexit, the pandemic and all other short-term worries, however, this too shall pass. That is not to suggest large drops in the stock market are irrelevant; quite the opposite. Your asset allocation always considers the ramifications of occasional bouts of volatility.

On page 2, Ram Bindra, our Senior Research Analyst, describes why we bought Moody's Corporation, as well as why we believe we will be Moody's owners for years to come. We also asked Corey Deschamps, GFI's Certified Financial Planner, to illustrate the benefits of prescribed rate loans. Please reach out to Corey directly at cdeschamps@gfiic.com to learn how you could benefit from prescribed rate loans.

Enjoy the fall, 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

A high rating for Moody's Corp.

GFI bought Moody's Corporation ("Moody's") for client accounts in the second quarter of 2020. Moody's is the second-largest ratings agency in the world after S&P Global Inc. ("S&P"). Collectively, Moody's and S&P have a roughly 85% market share in the U.S. and Europe (35% and 50% market shares, respectively).

The two ratings agencies practically operate as a duopoly. We believe that dynamic will continue well into the future. Moody's and S&P have greater access to corporate information since nearly all large businesses in the world provide them with intimate financial details and ongoing meetings with management. Because of this broad access, investors and lenders rely on Moody's and S&P ratings over any alternatives.

Issuers use Moody's and S&P to rate their debt, as those are the ratings agencies investors trust most. This virtuous cycle is difficult for any new entrant to recreate. Issuers do not want to pay many companies for their ratings and, in fact, most issuers pay for only two ratings. Furthermore, the fees paid by companies to get their debt rated by these two agencies lowers the interest expense on their issued debt.

Although unintuitive, we believe that it is important to have a ratings industry that doesn't compete too aggressively. More players in the industry would likely mean that ratings agencies would compete not just on price, but also on favourable ratings to debt issuers. For ratings to be trusted, the ratings market has to be an insulated, relatively competition-free market so that all market participants know that Moody's and S&P's ratings standards will not deteriorate in response to a grab for market share.

Moody's strong brand and dominance in the ratings industry has given it the ability to increase fees approximately 2% above the rate of inflation over the past few decades. Moody's revenues have also grown faster than overall debt issuance levels because rated debt products, such as bonds and asset-backed securities, are taking share in new issuance from unrated debt such as bank loans.

Paired with a business model that requires almost no capital and has low marginal costs, we expect Moody's to grow faster than gross domestic product and expand margins for decades to come, all while returning the vast majority of free cash flow to shareholders. We look forward to being shareholders as long as these favourable business qualities continue.

Learn why prescribed rate loans might be right for you

Income attribution rules prohibit individuals from gifting funds to their spouses or minor children to invest in their names, and then having the investment income taxed at those family members' lower marginal tax rates. If funds are simply gifted for that purpose, the resulting income from the investments is attributed to the individual who gifted the funds.

To avoid income attribution, funds must be loaned at the current prescribed interest rate, which is referred to as a "prescribed rate loan." The Canada Revenue Agency ("CRA") sets the prescribed interest rate on a quarterly basis, which has been set at 1% for the fourth quarter of 2020.

Prescribed rate loans allow families to take advantage of differing marginal tax rates. To facilitate a prescribed rate loan:

1. The lender with a higher marginal tax rate loans funds to a spouse (with a lower marginal tax rate)
2. The spouse invests the loan proceeds
3. The interest on the loan is taxable to the lender and tax-deductible to the borrower, and any investment income generated is taxed in the borrower's hands
4. Any difference between the annual rate of return realized on investments and the prescribed rate represents the benefit of the strategy.

A prescribed rate loan can also be used to loan funds to a family trust, allowing income splitting with minor beneficiaries to fund their expenses, including things like private school or summer camp fees.

Once a loan has been established, the interest rate is locked in for the life of the loan. The prescribed interest rate was lowered from 2% to 1% in the third quarter of 2020, and this reduction provides a greater opportunity for income splitting. If you have an existing loan at a higher rate, however, simply refinancing the loan or using the proceeds from a new loan to pay off an existing loan could result in income attribution. You would have to repay the existing loan (possibly triggering capital gains) and re-paper a new loan at the current rate.

A prescribed rate loan can be a valuable tax-planning strategy for clients with significant personal non-registered capital, as well as discrepancies in the marginal tax rates between spouses.

Before implementing any tax-planning strategy, you should obtain proper tax and legal advice to ensure the strategy and structure is optimal for your particular situation. As always, GFI is happy to work with your tax and legal advisors to implement any tax planning strategies for you. Please contact me today at cdeschamps@gfiic.com to learn more about a prescribed rate loan and whether this — or any other tax strategy — is right for you.

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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