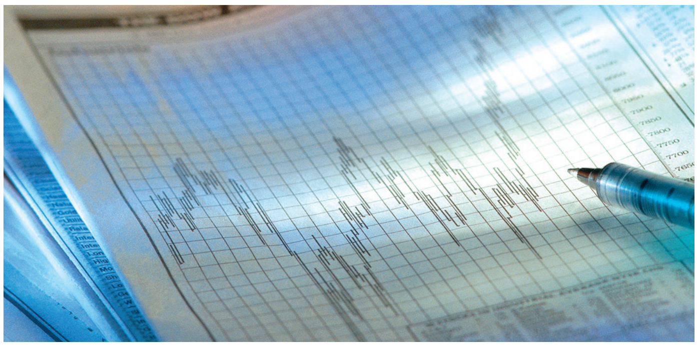
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter Q1'21



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"The best time to plant a tree was 20 years ago. The second-best time is now."

— Chinese proverb

Dear Valued Client,

In contrast to much of 2020, the performance of equities and fixed income diverged during the first quarter of 2021. Clients with a majority of their assets held in equities experienced portfolio growth. Alternatively, clients with higher levels of fixed income in their portfolios achieved lower returns overall.

The investing landscape has been evolving at an incredible speed. New assets, both digital and otherwise, have entered mainstream conversations. Two of the most talked about concepts at the moment are special-purpose acquisition companies (SPACs) and non-fungible tokens (NFTs). As always, the devil is in the details. While many investors group asset classes into "good" and "bad," each SPAC or NFT has different potential based on each of their specific attributes. Some SPACs, like those with underwhelming sponsors and no previous experience, will likely disappoint investors. Others that find promising acquisitions could delight investors. But there is usually a point in which investment bankers take a good idea too far and other people pay the price. We believe we are likely close to that point.

There has also been a growing fervour in speculative, unprofitable micro-capitalization companies. This is history repeating itself, as these cycles ebb and flow constantly. Much like our description of the SPAC phenomena, and perhaps even more acutely, most companies with this type of speculative interest will suffer a harsh fate at some point.

Lastly, of course, there is the crypto investment landscape. We are educating ourselves on the phenomenon but, to date, we have not found a rationale for investing capital in a crypto currency – or any currency for that matter. The crypto field is changing almost weekly and is an interesting concept to follow. That said, we prefer to allocate capital into assets that generate cash flow, thus growing value through return on capital and growth in underlying value.

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We continue to find excellent businesses in which to invest capital. You may have noticed that we recently sold Restaurant Brands International Inc. ("RBI") and purchased Equifax Inc. We were very patient as shareholders of RBI, but believe Tim Hortons, which represents roughly half of RBI's corporate profits, will continue to struggle, both because of a lack of corporate understanding of the brand and because the pandemic has changed consumer behaviour for the long term.

Equifax fits perfectly with our investment approach. The company operates in an oligopoly, grows without requiring significant capital and has years of expansion ahead of it. We are excited to be owners of Equifax and we continue to research several other interesting potential opportunities.

We recently hired our 13th employee. Amanda Barry is joining the GFI team after five years at Scotiabank. Amanda will join the GFI client service team to ensure we continue to offer you the high level of service you are accustomed to. We are thrilled to have Amanda join us as of April 12, 2021.

A special thanks goes out to our wonderful and growing team of individuals who work tirelessly for clients in an environment that has been less than ideal since early 2020. And we 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. Stay safe and happy, summer is just around the corner!

In this Issue

On page 3 of this issue, you will find an article by Corey Deschamps, CFP, on U.S. Estate Tax for Canadian citizens.

Revised Conflict of Interest Disclosure Statement

The Canadian Securities Administrators have amended the client-registrant relationship obligations and GFI is now required to distribute our enhanced Conflict of Interest Disclosure Statement to all of our clients. This statement provides you with an overview of any conflicts of interest that may arise, as well as how we manage such conflicts in the normal course of our business relationships. You will find this enhanced Conflict of Interest Disclosure Statement with your quarterly March statement, and it will also be included in new client forms. Please let us know if you require an additional copy of this statement.

Daniel Goodman, CFA
Chief Executive Officer

Effie Wolle, CFA, MBA
President and
Chief Investment Officer

U.S. Estate Tax for Canadians

An ounce of prevention is worth a pound of cure is certainly true when it comes to estate planning.

Anyone with a net worth over US$5 million should be aware of the U.S. estate tax, and the impact this tax could have on their estate planning goals. The exemption limit is currently US$11.7 million, but this is scheduled to be reduced back to US$5 million (plus inflation) in 2025.

If you believe you could be nearing the exemption limit, there are specific and concrete steps you can take to minimize your potential U.S. estate tax. We recommend you discuss this with your tax and legal advisors to determine the best course of action for your specific situation.

In Canada, there is no "estate tax," but there is a deemed disposition of your assets upon death that creates a tax liability for your estate. This amount can be minimized upon the death of the first spouse, as assets can roll over to the surviving spouse on a tax-deferred basis.

Many Canadians are unaware they could be subject to U.S. estate tax despite being a Canadian citizen and resident with no ties to the U.S. The tax is applied to the value of your U.S. assets at death, but also takes into account your worldwide estate value in U.S. dollars.

Assessing your U.S. estate tax exposure

The estate of a Canadian resident who owns more than US$60,000 worth of U.S. property at the time of their death will be required to file a U.S. estate tax return. Depending on the value of their total estate, however, there may be no estate tax liability.

There is an exemption limit on the amount of an individual's worldwide estate, which is $11,700,000 in 2021. Once the amount of estate tax owing is determined, credits such as the unified and marital credit are applied to reduce the final amount owing.

	Example 1	Example 2
U.S. Assets	$4,000,000	$4,000,000
Worldwide Estate	$11,500,000	$15,000,000
U.S. Estate Tax	$1,545,800	$1,545,800
Less: Unified Credit*	($1,545,800)	($1,233,547)
Net Tax Payable	**$0**	**$312,253**

*(U.S. assets/worldwide estate) x $4,625,800.

$4,625,800 is the unified credit amount and the amount of tax that would be payable up to the exemption limit of $11,700,000.

What is considered U.S. property for estate tax purposes?

The following is a list of some of the most common U.S. assets for estate tax purposes:

- U.S. publicly traded securities
- Private U.S. securities
- U.S. real estate
- Tangible property located in the U.S. (artwork, jewelry, etc.)
- U.S. retirement plans

What is not considered U.S. property for estate tax purposes?

- Canadian-based mutual funds and exchange-traded funds that invest in U.S. securities
- U.S. bank accounts (chequing or saving) for personal use
- Shares in Canadian private corporations that invest in U.S. securities

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Summary

Individuals with a total net worth nearing US$5 million should discuss their unique situation with their tax and/or legal advisor to ensure appropriate steps are taken to minimize any potential U.S. estate tax liability. The exemption limit was increased from US$5 to US$10 million effective 2018, and is adjusted for inflation each year. This increase is currently set to expire in 2025, and will revert back to the original US$5 million (plus inflation) beginning in 2026. We encourage you to monitor the exemption limit in relation to your potential estate values.

As always, GFI is happy to collaborate with your tax and legal advisors to assist with the implementation of any estate strategies you require.

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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