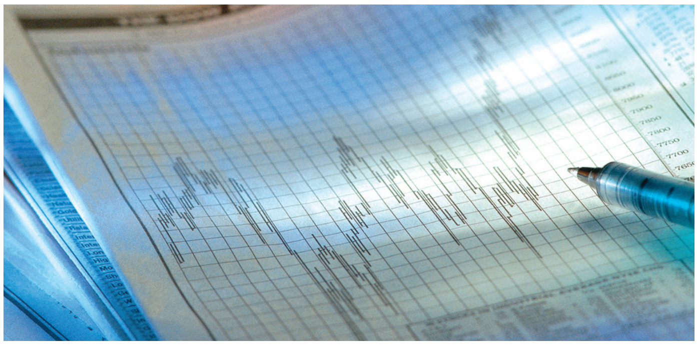
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter Q3'21



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"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."

— Warren Buffett

Dear Valued Client,

We are pleased to report that our portfolios continued to increase in value over the third quarter of 2021. As is often the case with equities, the path was not without its bumps. July and August were great months for our portfolios, while our early summer gains reversed somewhat in September. This is the nature of a healthy stock market, and it is why staying invested at all times is the only sensible approach to long-term wealth creation.

We wanted to advise you that our sales of Canadian National Railway Company and Restaurant Brands International Inc. earlier this calendar year could result in noteworthy capital gains in your non-registered accounts. While our investment approach generally defers capital gains throughout our holding period, we do occasionally realize capital gains when we find more attractive opportunities to invest in. If you have a non-registered account at GFI, we recommend you discuss any potential capital gains with your tax advisor.

On page 2 of this issue of GoodQuarter, we have updated some figures with respect to our client, "Bob." Bob continues to be a valued client of our firm and has still not added to, or subtracted from, his initial capital investment. Bob's results speak volumes about letting your capital compound at GFI.

On page 3, we discuss the often misunderstood benefits of owning dividend-paying companies.

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.

Enjoy the fall colours!

Daniel Goodman, CFA
Chief Executive Officer

Effie Wolle, CFA, MBA
President and
Chief Investment Officer

Compounding

In May 2011, a client we'll call Bob Smith joined GFI. Bob deposited $2,000,000 into his account and decided on an asset allocation of 100% equities. At the end of September 2021, without having made any deposits or withdrawals, Bob's account was valued at $11,081,730. For each one percent increase in Bob's account today, his initial capital is growing by 5.5%.

While our historical track record for managing accounts has a longer history, Bob's account, due to the lack of deposits and withdrawals, is the simplest example to illustrate the power of compounding. In roughly ten years of managing Bob's account, we have sold 27 securities, an average of less than three trades per year. Four of those sales were the result of acquisitions – Whistler Blackcomb, Tim Hortons, Precision Castparts and Heinz.

GFI and Bob's relationship has been great, and we have both played our part. We bought growing, well-managed businesses and Bob stayed invested in the market. Bob never panicked in response to political headlines, recession predictions or talking heads on television.

On ten different occasions, Bob's account decreased by more than 4%, and in three of those instances, his account decreased by more than 7% including of course, a material pandemic decline. While those drops in market value were difficult in the moment, they are merely a blip with the benefit of hindsight. Bob wasn't fazed during those periods of weakness. Moreover, given that Bob's account was non-registered, our patient approach and lack of excessive trading has earned him an exceptional after-tax rate of return.

We would like to thank you, and all our clients, for believing in our approach to investing, in being unfazed by the constant noise in the media and for entrusting us with your hard-earned assets.

Bob Smith

Joined:	May 2011
Initial deposit:	$2,000,000
Asset Allocation:	100% Equities
Current Balance:	$11,081,730

Dividend-Paying Equities versus Total-Return Equities

Over the years, we have been repeatedly asked the same question in different forms, which is whether we can build a portfolio of dividend-paying companies using a combination of real estate investment trusts, banks, pipelines and other businesses to generate a return of x% (whatever that x% might be).

The fact is, when we are purchasing any equity, we are always searching for a total annual return of over 10% from that position, irrespective of the method in which we will attain said return. If a company can re-invest its profits at an attractive rate of return and we achieve a capital gain of 10%, we are equally as happy as when we achieve a dividend yield of 10% with no capital gain.

Investors who hope to live off a portion of their portfolio often prefer dividend-paying companies over companies that re-invest their capital for growth. We differ in our opinion, as we can create liquidity by selling a portion of a client's holdings and generate cash at a lower tax rate! Capital gains are taxed at a lower rate than dividend income.

We believe investors should focus on their total rate of return by buying strong companies, both dividend-paying and not, that offer reasonable valuations and attractive total rates of return.

Our Client Commitments

Here are the promises we make to you *(formed over decades of industry experience):*

1. ***We will always*** manage your money as if it was our own – and we don't take unnecessary risks with our own money.
2. ***We will never*** claim to be able to time markets.
3. ***We will always*** ensure you understand what we are saying.
4. ***We will*** return your phone calls and emails promptly.
5. ***We will always*** report your performance net of all fees.
6. ***We will always*** disclose how and what we charge you.
7. When comparing our performance to benchmarks, ***we will always*** use the appropriate benchmark and include dividends.
8. ***We will*** manage your capital rationally.
9. ***We will never*** discuss or use terms like "macro," "tactical," "sector rotation" or "absolute return."
10. ***We will never*** chase the most recent investment trend.
11. ***We will*** charge fair fees; not the fees we think we can get away with.
12. ***We will never*** use the term "risk-adjusted" to justify poor results.
13. ***We will never*** use Greek letters to explain our approach or rationalize our returns.
14. ***We will never*** tout illiquid investments as if they are "less risky" just because they are private.
15. ***We will never*** launch new products simply because a sector is "hot."

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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