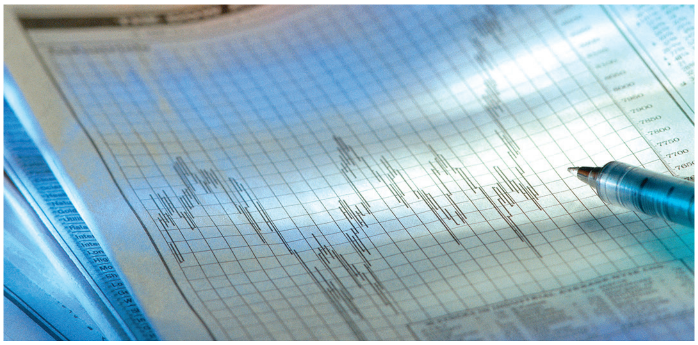
GFI Investment Counsel Ltd.

Preserving and growing family capital™

GoodQuarter Q3'22



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"If you are not willing to own a stock for 10 years, do not even think about owning it for 10 minutes."

— Warren Buffett

Dear Valued Client,

The third quarter was a period of extreme financial market volatility. While account values were nearly identical from the beginning to the end of the quarter, day-to-day volatility continued unabated. We have often discussed the virtue of checking account values less often, and never has that recommendation been more important than during the past quarter. If an investor had enjoyed a vacation or been on a deserted island for three months, that person would have returned to see their account balance nearly unchanged. Observing these last three months on a daily basis, however, would have been an entirely different emotional experience.

Below, we reproduce a table showing the probability of market performance, given the historical underlying timeframe.

Time Frame	Positive	Negative
Daily	54%	46%
Quarterly	68%	32%
One Year	74%	26%
5 Years	86%	14%
10 Years	94%	6%
20 Years	100%	0%

Source: Global Financial Data, Inc. a of 12/31/2017

As one can see, the longer the timeframe, the more likely positive investment results will be achieved.

Over the past several years, investors have become accustomed to volatility and asset value declines, followed by quick recoveries thereafter. The 2022 market correction has lasted almost the entire year, which is already significantly longer than the COVID-19 correction, the decline in the fourth quarter of 2018 and the Brexit correction, to name a few. This longer-lasting correction, while uncomfortable, is typical of capital markets ebbs & flows, and has definitely continued for longer than any investor desires. Rest assured, we are not taking this correction lightly; we continue to challenge our process and security selection, while also ensuring that we remain true to our investment pillars.

Please join us in welcoming Adam Brass to the GFI team. Adam joins us in the role of Senior Investment Analyst and comes from the asset management arm of a major Canadian bank. We are excited to have Adam contribute to our investment management process.

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
Chief Executive Officer

Effie Wolle, CFA, MBA
President and Chief Investment Officer

Why We Don't Time the Market

With three quarters of 2022 now complete, we can confidently say that this has been a challenging investment climate to navigate. If we have done our job over the last 15 years in communicating our beliefs, then the fact that we have not attempted to time the markets should not come as any surprise. That said, it is always tempting to look backwards and feel that it would have been easy to predict the drawdown that has occurred, while also questioning the investment climate going forward.

We always stress that we do not time markets and we don't let short-term opinions drive our investment process. We have no idea what the markets will do in the short term and, in our opinion, nobody else does either. We take a long-term approach to building wealth and ensuring that your portfolio and its level of risk are properly aligned with the timing of your various goals and objectives.

To illustrate how difficult market timing is, a research firm named DALBAR wrote a report analyzing investor returns in U.S. equity mutual funds compared to the wider S&P 500 Index. Over a 30-year period, the S&P 500's annualized return was 10.0%, while U.S. equity mutual fund investors generated a 4.1% return. This massive difference was primarily attributed to individual investors attempting to time markets or switching between different funds or asset classes at inopportune times. Basically, too many investors lack the patience required to remain invested over the long term.

With this in mind, here are some other common mistakes that can lead to subpar returns:

Acting on information that is irrelevant to your particular investment goals and/or time horizon.

Investors are often tempted to make investment decisions based on information that is irrelevant to their particular goals. For example, an investor may sell their equities because they feel that markets are at an all-time high and there is a recession coming "soon." However, they are 45 years old and don't have a need for these funds for at least 15 years. Even if they do happen to get lucky and sell before a correction materialized, they have to time the other side of the trade and buy back their equities at a favourable time. This strategy has been proven to be extremely difficult.

Having the incorrect asset allocation for your goals.

Many investors think their risk tolerance is higher than it actually is, as it's much easier to be aggressive in a bull market. Investors with an equity allocation that is higher than they're comfortable with won't likely adjust their allocations until markets head lower, which is not an optimal time to do so.

Excessive trading.

Not only does excessive trading often result in higher transaction costs, you lose the benefit of tax-deferred growth on your investments (in non-registered accounts). Paying tax later is almost always the better option. This is one of the reasons we own a portfolio of wonderful businesses that we understand well and can remain invested in for the long term.

Rather than let emotions drive our decision-making, we adhere to a disciplined investment approach that allows us to tune out background noise that is irrelevant to our clients, and focus on the quality businesses we continue to hold. While we don't know where the markets will go in the short term, we know with a high level of conviction that sticking to your investment plan and ignoring the noise will lead to investment success.

Opportunities in Fixed Income Securities

After over a decade of historically low interest rates, 2022 has been a period of steadily increasing rates. While this has driven up borrowing costs for businesses and individuals, it creates an opportunity for investors to earn a higher return on the money they invest. High-quality corporate and government bonds, guaranteed investment certificates (GICs), and savings accounts now offer much more attractive yields than they did nine short months ago.

What can you do?

While we believe a meaningful weighting in equities will provide the highest return over the long term, there are some situations where fixed income investments make sense.

1. ***Enhance your returns on short-term investments and cash.***

   If you have a need for cash in the short term, or if you have a large cash balance, we recommend a high interest savings account or cashable GICs. Interest rates ranging from 3.5% to 4.5% are now attainable.

2. ***Lower your portfolio risk.***

   With higher yields, you may be able to increase your weighting in fixed income in your portfolio, without compromising your ability to meet your financial goals.

3. ***Pay down debt.***

   For business and individual borrowers, it has become more costly to carry debt. Compare the cost of your debt against your expected after-tax return on your assets. For example, you're better off paying down a mortgage at 4% than investing in a bond at 6%, once tax is considered.

The outlook for fixed income has changed considerably in 2022, and currently presents new opportunities. We are happy to discuss your particular situation in more detail to determine how you can benefit most from this evolving economic environment.

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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