

# GoodQuarter

## Q1'25



“There is nothing about the price action of a stock that tells you whether you should keep owning it. What tells you whether you should keep owning it is what you expect the company to do in the future.”

— Warren Buffett

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### Dear Valued Client,

The first quarter of 2025 saw our equity portfolios decrease roughly 2.5% while bonds gained approximately 1.5%. As always, the path was not linear. The month of January brought large stock gains, while February and March both posted negative equity results.

Intellectually, investors understand that volatility is a cost of double-digit equity returns, yet emotionally, we can all be tested from time to time. As of the first week of April, we are clearly in a period of heightened uncertainty, both politically and economically. As your investment counsellor, we will make rational decisions, given the circumstances. That may require activity in the portfolio, or it may require an absence of activity. Rest assured, we are monitoring our portfolio, analyzing various scenarios, and forecasting various long-term outcomes.

### Exciting News at GFI

At the end of 2024, Fuyumi Yokura, Corey Deschamps and Ram Bindra became new shareholders of GFI. We are thrilled to have all

three colleagues become owners and partners and we look forward to growing together in the decades to come.

We are thrilled to share that Fuyumi Yokura, our Chief Compliance and Operations Officer has gone on maternity leave. Fuyumi recently gave birth to Leo, a healthy baby boy. Mom and Leo are doing great.

Given the market volatility, our feature article discusses our views of the most recent events and what we believe to be the best course of action going forward. If you have any questions about your portfolio or any other matter, please reach out as we would be happy to help.

Thank you for your ongoing support.

The GFI Team

## Keeping Calm When Others Cannot

One does not expect to always agree with a given political leader but one should expect democratically elected leaders to think and act logically. Put simply, it is a disappointing period for rational business people across the world. GFI Investment Counsel has been built on the foundation of identifying unique and growing businesses for long term investment and relying on world leaders to ensure that the environment in which those businesses operate would be at a minimum, stable. Ideally, government would encourage business investment and growth but by no means would they ever act in a subversive manner to undermine the advancing global prosperity that we have enjoyed for close to eighty years.

The United States of America (“USA”) has played a leadership role in global affairs since the Marshall Plan helped rebuild Europe and the global economy in the late 1940s. The USA assumed part of the responsibility to repair the damage of a devastating war. They did so out of a sense of purpose while recognizing that the character of the nation created a duty to act. This role endeared the USA across the globe. It also created an environment in which capitalism and entrepreneurialism could flourish. In this new global order of relative peace and prosperity, no one reaped the rewards more than the USA itself. We cannot understand why, in a few short months, the current US government chose to decimate the conditions that propelled them to the role of leader of the free world.

The checks and balances entrenched in the US political system should eventually alleviate the current challenges and it may occur more quickly than we think. Politics, like the stock market, is forward looking. The mid-term elections are less than 20 months away. The United States has been the most entrepreneurial and economically successful country in the world for decades and while they will definitely suffer from the current protectionist trade war that they have initiated; they will have every opportunity to resume that role in the years to come. Americans do not react well to wealth destruction and we are confident that they will vote with their wallets going forward.

The only way to achieve investment success is to adhere to the investment plan established before this destructive trade war began. Long-term investing is not just a marketing tagline, it is a pillar of our approach. There will be bumps along this proverbial road, but over time, government will revert back to rational economic policy. We will continue to ensure that your holdings (both bonds and equities) remain allocated to high quality and well capitalized businesses that offer attractive returns.

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## The Trade

In January, GFI sold Apple Inc. ("Apple") for client portfolios and purchased Roper Technologies, Inc. ("Roper").

Apple was purchased in June of 2018 for roughly 12 times cash flow, a valuation we deemed very reasonable given its Services Business growth and smartphone dominance. The valuation was depressed at the time due to issues surrounding the iPhone replacement cycle and Chinese demand, both real concerns, but well discounted in the stock price.

Over the past 6.5 years, the company has grown both their hardware and services businesses significantly and we were rewarded with an annualized return of 28%. When we sold Apple in mid-January, it was trading at 33 times cash flow and we had some concerns regarding future growth and operational risks. China is a significant supplier to Apple and the relationship between the U.S. and China remains fraught. In addition, the Chinese authorities have banned iPhone use for government employees and there is risk that the ban gets extended to other segments of the Chinese population. Lastly, there are anti-trust concerns that started to weigh on our minds.

We replaced Apple with Roper, a company we have admired for many years. Roper is an owner of roughly two dozen vertical market software businesses which, simply stated, is software that is specific to one industry. For example, Roper owns Aderant, a software tailored to the legal profession. Aderant will run a large portion of legal firms' needs including case organization, tracking of hours and expenses, billing, recruiting and other niche legal requirements.

Roper has similarities to Constellation Software, another successful holding of ours, which owns smaller vertical market software businesses. In our experience, companies are loathe to change key providers and are happy to maintain their current suppliers if the product continues to perform. This stickiness and limited competition is something we continue to look for in all our portfolio companies.

We look forward to being Roper shareholders for years to come.

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## Our Client Commitments

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

- 1. We will never** take unnecessary risks with your money. We will always manage your money as if it was our own.
- 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. We will always** use the appropriate benchmark and include dividends when comparing our performance to benchmarks
- 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") 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**.