

# GoodQuarter

Q2'24



“The most important quality  
for an investor is temperament,  
not intellect.”

— Warren Buffet

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### Dear Valued Client,

Summer has arrived and we hope you have some fantastic plans to take advantage of the great weather. The second quarter of 2024 brought a slight decrease to equity portfolios. With interest rates moving as much as they have in the past 24 months, the majority of market movement has been driven by macroeconomic factors, rather than company-specific items. This brings challenges and opportunities.

During the quarter, we sold Comfort Systems USA Inc. and purchased Booz Allen Hamilton Holding Corporation and American Express Company. This increases our core equity portfolio to 18 securities from 17. This increase is a function of finding excellent new opportunities while not having a desire to sell any of our other existing holdings.

On page 3, we briefly discuss our rationale for this portfolio change.

We are pleased to announce the successful transition of applicable accounts into the Good Equity Fund (GEF). All tax-deferred accounts other than RRSPs/RIFs now hold the GEF.

Going forward, in consultation with clients, when enhanced diversification is required, we will move small non-registered accounts into the GEF as well.

Arguably the most significant news event affecting our clients was the proposal by the Federal Liberals to increase the capital gains inclusion rate beginning June 25, 2024. This development caught many by surprise. Given the strong liquidity of our investment portfolio, we were able to promptly support clients whose circumstances supported their tax professionals recommendation to crystallize gains prior to the change taking effect.

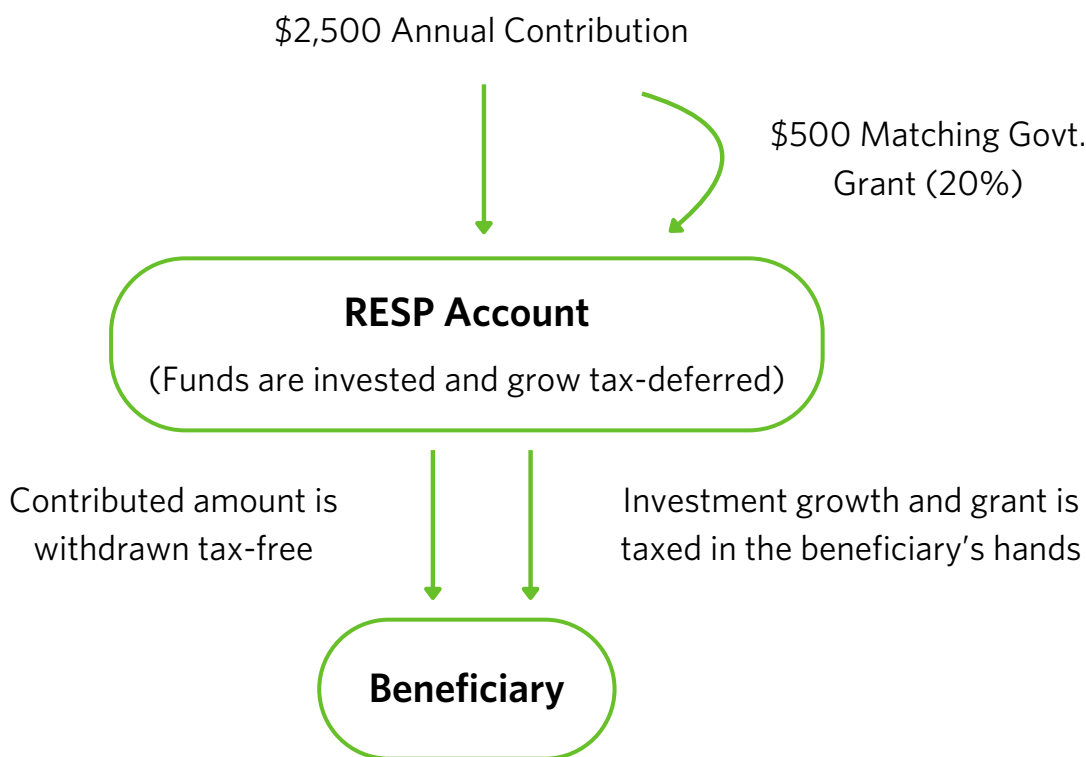
We are delighted to inform you of not one, but two new additions to the GFI team: Amanda Snyder and Adriana Solis Lozano. Both colleagues are joining in the role of Client Service Associate and will contribute to our client management process. Please introduce yourself to Amanda and Adriana the next time you hear a new friendly voice on the phone.

Sincerely,  
Team GFI

## Registered Education Savings Plans (RESPs)

The finance world is full of acronyms - we prefer to avoid using them or explain them in a way that makes sense. This one is important for parents and soon to be parents. The Registered Education Savings Plan (RESP) is a tax-deferred account specifically for post-secondary education that includes a matching Government grant on the capital you contribute.

The cost of post-secondary education continues to rise, and this registered plan helps ease some of the financial stress for parents. Here's an overview of how the account works.



Although you don't receive a tax deduction on the contribution, the funds grow tax-deferred and the eventual tax burden is passed on to the child, who will likely have little to no income while in post-secondary school.

For each child, you can contribute \$36,000 (\$2,500 per year) and receive a 20% matching grant of a total \$7,200. However, the RESP accounts have a lifetime contribution limit of \$50,000 per beneficiary. This allows you to contribute an additional \$14,000 to the account to grow tax deferred. Some clients choose to add birthday and holiday money the child receives to the account, while others add the full amount as soon as available to maximize the growth in the account.

We encourage all clients with children to open and maximize contributions to their RESP. Please reach out to our team if you would like to discuss this strategy in more detail.

## Portfolio Changes

This quarter, we sold Comfort Systems USA Inc. ("Comfort Systems") and invested the proceeds in two companies that we considered to be more attractive opportunities, American Express Company ("AmEx") and Booz Allen Hamilton ("BAH").

Comfort Systems is a mechanical and electrical contractor serving commercial construction and maintenance projects. We first bought Comfort Systems in 2021. It is a well-run business with ongoing demand, zero obsolescence risk, and consistent earnings growth. At purchase, the company had a very cheap valuation. Over the last three years, thanks to a surge in demand due to President Biden's infrastructure spending policies (IIJA & IRA), the build out of A.I. data centers, and nearshoring of manufacturing, Comfort Systems grew revenues and earnings at a tremendous rate. Revenue grew at ~30% compounded annually and margins expanded from ~6% to 8%. Although we expect the tailwinds to continue for several more years, much of this new demand comes from new construction projects which are one-time by nature and potentially more at-risk to political shifts. We expect the company's margins and (now pricier) valuation to eventually revert to historical levels and thus sold our shares.

American Express is the third largest card network in the world, with an irreplaceable brand. AmEx has direct relationships with customers and merchants who voluntarily sign up to use or accept their cards. Given this dynamic, AmEx does not face the same regulatory scrutiny surrounding interchange fees as Visa or Mastercard.

AmEx's current management team is focused on aggressively investing in the AmEx brand to restore its premium reputation. Over time, this will enable the company to increase fees and enhance the card's appeal to both customers and merchants. AmEx trades at an attractive multiple of free cash flow and returns most of its excess capital to shareholders.

Booz Allen Hamilton provides consulting and IT services to U.S. government agencies such as the Department of Homeland Security, Department of Defense, FBI and IRS. Many of the company's employees have special security clearance and thus this workforce acts as a barrier to entry. Given the critical and sensitive nature of the work, only a handful of companies with qualified employees can bid for these contracts. The demand for BAH's services is less impacted by macroeconomic factors than other consultants and we believe it will continue to grow as cybersecurity attacks become more prevalent and the global political climate continues to evolve.

We look forward to owning both AmEx and BAH 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 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. **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**.



*Preserving and growing  
family capital™*