

Second Quarter 2024 Commentary

Good Opportunities Fund

Dear Valued Unitholder,

The fund decreased by 3.7% this quarter and has increased by 8.5% year-to-date. Last quarter, we wrote about our small and mid-cap holdings outside of North America. Below, we highlight a change made to our North American holdings.

We recently 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 government 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.

As always, we appreciate your ongoing trust and confidence in our firm and look forward to working with you in the years ahead. We ask, as always, that you give us a call if you have any questions or concerns.

The GFI Team



The most important quality for an investor is temperament, not intellect.
— Warren Buffet