2017 YEAR END CLIENT LETTER

For 2017, our Core Equity Fund gained 11.3% net of all expenses versus 8.1% for the TSX Index, 12.9% for S&P 500 (in Canadian dollars) and 10.6% for an equally weighted benchmark (50/50) of both broad market indices. Our performance gains were somewhat muted by weakness in the US dollar and our larger-than-normal cash position (Table 1 below).

Table 1 : Core Equity Fund

Time Period	Core Equity Fund Return (Series I)	Avg. Cash Exposure
2017		
1st Quarter	3.9%	13.9%
2nd Quarter	3.4%	24.1%
3rd Quarter	-1.4%	23.8%
4th Quarter	5.0%	21.6%
Calendar Year Return	11.3%	20.9%
Since Inception Return[1]	**19.7%**	
Annualized Return	**10.9%**	

[1]Since fund inception date, April 1, 2016.

All performance figures presented are as at December 31, 2017.

While we maintain an optimistic view of the future, we believe that our willingness to hold cash instills discipline to refrain from investing unless the price of an asset is offered with an appropriate margin of safety. As disciplined investors, we would rather hold cash than lower our investment standards and increase portfolio risk. Not surprisingly, periods of heightened valuations (such as the present – see Table 2 below) tend to lead to higher cash levels.

Our track record reflects our commitment to risk management. We firmly believe that the essence of investment management is the management of risks, not the management of returns. We construct our portfolios starting with this precept. We never forget that our objective is to maintain the long term purchasing power of our investors' capital and meet required capital withdrawals for living expenses in a tax efficient manner. As such, we do not define risk in the same manner as academics and speculators, the latter focused on volatility, but rather with a view that risk is the permanent loss of capital. When risk is viewed this way, then the price paid for an investment ultimately determines the riskiness of the investment.

With the ongoing (and what feels like an uninterrupted) multi-year bull market globally in equities (frankly, in every asset class), finding meaningfully mis-priced attractive businesses led by sound management teams has become more challenging.

We are value investors. We like to buy low and sell high. So when indices like the S&P 500 have had such an impressive run, it is increasingly difficult to identify investments that can be purchased with an adequate margin of safety. Goldman Sachs put out a report recently that shows a variety of common security valuation metrics applied to the S&P 500 as a whole. To summarize: the S&P 500 now looks about as expensive as it has ever been over the last 40 years – see Table 2 below.

Table 2: S&P 500 Aggregate Index and Median Stock

S&P 500 aggregate index and median stock both highly valued on most metrics
as of August 1, 2017

	Aggregate Index			Median Stock		
Metric (Aggregate index)	Current	Long-term average	Historical %ile	Current	Long-term average	Historical %ile
EV / Sales	2.3 x	1.3 x	95 %	2.8 x	1.4 x	99 %
EV / EBITDA	11.6 x	8.2 x	88	12.0 x	8.1 x	99
Forward P/E	18.0 x	12.8 x	89	18.1 x	13.1 x	96
Cyclically adjusted P/E (CAPE)	26.0 x	18.7 x	87	NA	NA	NA
P/E to growth (PEG)	1.4 x	1.1 x	89	1.9 x	1.2 x	100
Cash flow yield (CFO)	7.4 %	9.4 %	87	7.2 %	9.0 %	96
Price / Book	3.2 x	2.5 x	85	3.4 x	2.2 x	99
Free cash flow yield (FCF)	**4.2 %**	**4.0 %**	**52**	**4.3 %**	**4.1 %**	**47**
Median			**88 %**			**99 %**

Note: Data since 1960 for CFO and FCF, 1981 for PEG, and 1976 for all others.
Cash flow from operations yield and free cash flow yield execute Financials and Real Estate.
Source: Goldman Sachs

Thankfully, our focus is on individual businesses and not on trying to figure out the next move in government policy, the economy or the market – the odds of doing so consistently are extremely low and seems like a fool's errand. Every day we live and invest in a world of uncertainty. Whether it is political dysfunction (we have seen enough of that in the last year to last a lifetime), emerging market concerns, geo-political tensions, terrorism, or monetary policy issues – these are all serious challenges with uncertain outcomes. History suggests most of these will be manageable. Our job as capital allocators is to manage the uncertainty, and take advantage of any long-term investment opportunities that these perceived risks and uncertainties may create. We remain focused on finding fundamentally strong businesses that are priced below our assessment of intrinsic value (intrinsic value, for us, is what an investor would pay today to purchase the entire business).

Highlighted below are examples of two businesses owned in our portfolio.

The Walt Disney Company

Late this past summer, following weak quarterly results and more fears of cable subscriber loses, Disney's stock declined 11% from $110 to below $98. At the same time, Disney announced the acquisition of a majority stake in BAM Tech and a move to launch Disney branded direct-to-consumer streaming services. The acquisition and the addition of new services will pressure near-term earnings, but we believe these were the right long-term strategic moves and as such took advantage of the weakness to purchase additional shares to increase our position. We think Disney's terrific assets and talented management will enable the company to successfully navigate a rapidly evolving media landscape. In late December, Disney announced a mega-deal to acquire most of 21st Century Fox's entertainment assets. This transaction should alleviate a lot of the short-term cable subscriber loss concerns and positions Disney as a legitimate competitor to Netflix. We believe that the company's growth profile is fundamentally improving, and we continue to believe that management is making the right strategic decisions as Disney embarks on the next phase of its lifecycle: direct-to-consumer content distribution. The shares have recovered and are now trading back around the $110 level but still well below our estimate of the company's true intrinsic value.

Tricon Capital

Shares of Tricon Capital fell more than 15% over the past summer as the Canadian dollar strengthened and on concerns about its exposure to Houston (only 8% of investments) due to Hurricane Harvey. We were ecstatic to take advantage of the sell-off to increase our stake at what we believe was a significant discount to the company's true value.

Tricon is an owner and operator of single-family rental homes in the U.S. with more than 16,000 homes located mostly throughout the Sunbelt states of Texas, Florida, Arizona, California and South Carolina. Approximately 90% of Tricon's AUM (assets under management) is directly exposed to U.S. housing. Its primary business strategy focuses on acquiring, renovating, leasing, and operating single-family homes as rentals. We believe the company has assembled one of the premier single-family home rental portfolios in the U.S. We are optimistic about the prospects for Tricon primarily because we believe the demand outlook for single-family home rentals should continue outstripping supply for the foreseeable future, thereby creating a favorable backdrop for strong rental price increases and cash flow growth. Demand conditions are attractive due to a strengthening economy, increasing household formation and income growth, a decline in home purchase affordability, and the continued drop in homeownership relative to the increasing propensity to rent. With regard to new construction activity, there is a limited supply of single-family rental homes in the U.S. housing market. In our opinion, Tricon, with its real estate portfolio and impressive management team, has a strong runway for growth in the years ahead by generating solid rent increases and cash flow growth and, perhaps, acquiring additional homes for rent.

Warren Buffett has a famous quote: "*be fearful when others are greedy and greedy when others are fearful.*" While we are not suggesting that investors be fearful, we do caution, now is not the time to be greedy. Given the fact that assets globally are trading at all-time highs, the obsession and meteoric rise in the price of crypto-currencies, and volatility being close to all time lows, we do believe that a cautious approach is the prudent way forward. We feel great about the businesses we own and believe that they remain well positioned to continue to grow their intrinsic value.

We sincerely appreciate your confidence and trust with our stewardship of your family's hard-earned savings. We remain dedicated to continue providing you with the information we would expect to receive if our roles were reversed.

As always, please feel free to contact us anytime if you have any questions or if you would like to schedule a meeting with us.

Thank you,

Daymon A. Loeb, CIM,
Managing Director

Adam Donsky, CFA,
Chief Investment Officer

contact us: +1.844.728.8346 | info@goodmanandcompany.com

IMPORTANT INFORMATION: The content of this document is not for public distribution, it is for informational purposes only, and is not being delivered to you in the context of an offering of any securities described herein, nor is it a recommendation or solicitation to buy, hold or sell any security. The information is not investment advice, nor is it tailored to the needs or circumstances of any investor. Information contained on this document is not, and under no circumstances is it to be construed as, an offering memorandum, prospectus, advertisement or public offering of securities. No securities commission or similar regulatory authority has reviewed this document and any representation to the contrary is an offence. Information contained in this document is believed to be accurate and reliable, however, we cannot guarantee that it is accurate or complete or current at all times. The information provided is subject to change without notice and Goodman & Company, Investment Counsel Inc. ("GCIC") will not be held liable for inaccuracies in the information presented. Certain information set forth in this document contains forward-looking statements. Forward-looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur. GCIC disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law

©2015 The contents of this document are protected by applicable copyright laws. No permission is granted to copy, distribute, modify, post, or frame any text, graphics, design or logos
™Goodman & Company, Investment Counsel Inc. is a trademark owned by Dundee Corporation, used under licens

302_GCIC_Commenatary_2017_Year_End_horizontal