



Fund	Net Asset Value Per Unit	June Return	2010 Return	Goodwood Compound Annual Return Since Inception	S&P/TSX Compound Annual Return Since Fund Inception	Russell 2000 Compound Annual (C\$) Return Since Fund Inception
Goodwood Fund "A"*	\$24.4168	(8.92)%	(6.66)%	+12.70%	+7.43%	+3.97%
Goodwood Fund "B"**	\$10.6032	(8.92)%	(6.66)%	+1.57%	+7.10%	(0.83)%
Goodwood Capital Fund***	\$13.9232	(7.36)%	(6.34)%	+5.33%	+5.12%	+0.64%
S&P/TSX Composite TRIN	-	(3.71)%	(2.55)%	-	-	-
Russell 2000 Index (C\$)****	-	(5.88)%	(0.68)%	-	-	-

\* Commenced October 31, 1996

\*\* Commenced January 11, 2002

\*\*\* Commenced December 23, 1999

\*\*\*\* Russell 2000 Index – total return, converted to C\$

July 6, 2010

Dear Fellow Unitholders:

The month of June brought a continuation of what the month of May had begun. During the last roughly two months stock markets around the World are down fairly substantially with the Athens Stock Exchange General Index and the Shanghai Stock Exchange Composite Index leading the way at down 30.4% and 24.3% (in local currency terms) respectively from their April highs. There are real and legitimate concerns out there that markets have quickly begun to discount. Interestingly though and, in contrast to the late '08 sell-off, most yield-bearing equities have held in well during this latest sell-off (at least in our focus area of North American - e.g., Cineplex Galaxy Income Fund, Just Energy Income Fund and US junk bonds generally) which we think is a reflection of the overwhelming demand for predictable income in an ultra low interest rate environment and, that this is a bit less of a panicked sell-off.

As the regular reader is well aware, we mostly use our monthly communications to discuss the fundamentals of our various long positions. For a change of pace and to give some counterpoints to the ubiquitous and almost over-bearing negativity that is prevalent

today we would like to present some reasons why perhaps being long stocks at this juncture is not a bad idea (in no particular order):

- High corporate cash levels: As of March 31, 2010 according to the U.S. Federal Reserve Board, U.S. non-financial firms had accumulated a record US\$1.84 trillion of cash and cash equivalents which also represents a record going back to the early 1960's when expressed as a percentage of their total assets (i.e., plant, real estate, etc.). This cash is earning next-to-nothing and thus will likely eventually be used in a variety of investor-friendly methods (e.g., share buybacks, increased dividends, and/or acquisitions). If these cash-rich companies do not deploy their cash, eventually they themselves become targets.
- S&P 500 2010 earnings yield vs. 10 year US government treasury yields: The former is currently estimated at 8% while the latter is just 3%. The last time the gap was this wide was in the late 1970's. According to Brian Belski, strategist at Oppenheimer Holdings Inc., the average one year return on the S&P 500 whenever the earnings yield was at least this much higher than the 10 year treasury yield is 26.7%.
- S&P 500 forward P/E ratio: This measure is now trading at just 12X next year's consensus earnings estimates which is the lowest forward estimate multiple since the late 1980's. And note too that due to the very high corporate cash levels mentioned above, the ex-cash P/E multiple is even lower.
- There is a tremendous amount of fear extant: The everyday news flow is exceedingly negative and worried. As a result, corporations aren't the only ones hoarding cash, individual investors are as well. Whatever cash individual investors are newly deploying is virtually entirely in bond funds not equity funds. Historically, these periods have turned out to provide good entry points for equities generally.
- Negative MZM growth: Growth in "money with zero maturity" (the most broadly measured monetary aggregate in the U.S., basically cash, checking accounts, certificates of deposit and money market funds. The data is available from the Federal Reserve Bank of St. Louis) has turned negative this year for only the sixth time since 1959 (the year the Federal Reserve began keeping the data). MZM turning negative means people have begun leaving their economic bunkers. According to Mark Dodson of the Hays Advisory, on those infrequent occasions when MZM growth turns negative the U.S. stock market is up an average of 21.4% in the next twelve months with no instances of decline.
- Insider buying ratios bullish: The level of insider buying versus selling has swung decidedly bullish with this latest market sell-off. For example, Barron's "Insiders Transactions Ratio" is sitting at about 5:1 while anything under 12:1 is considered bullish (anything over 20:1 is considered bearish).

- President Obama's ability to push through major policy changes will likely be significantly weakened with the November 2010 elections. It looks quite likely that the Democrats will lose some seats forcing a more consensual approach with the Republicans. There can be little doubt that the markets will view this positively as it would impact pending legislation in energy, taxes and financial markets to name a few and weaken the ability of the current administration to push through business-unfriendly policies.
- Bullish Put-Call ratio: Both the Chicago Board Options Exchange and S&P 100 put-call ratios are firmly in bullish territory reflecting both individual and institutional heavy use of put options recently (this is a contrary indicator).
- Developed economies' collective new heightened fiscal awareness (e.g., G20 pledges) and willingness to exercise fiscal discipline, while currently being interpreted as an economic negative, is actually a long run positive in that we may now be able to avoid a much larger sovereign credit problem down the road.

The foregoing was by no means an exhaustive list but we think illustrates why we prefer to stay focused on buying and owning the securities of high quality, cash-generative companies. After all, the macro environment wasn't exactly warm and enticing when the market last made a major bottom in March of 2009.

As always, if you have any questions or comments, do not hesitate to e-mail or call.

Yours truly,

Peter Puccetti, CFA  
Chairman and Chief Investment Officer  
[www.goodwoodfunds.com](http://www.goodwoodfunds.com)

Cam MacDonald, CFA  
President and Chief Executive Officer  
(416) 203-2922  
[cmacdonald@goodwoodfunds.com](mailto:cmacdonald@goodwoodfunds.com)

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