

Bank of Canada Statement Summary and Commentary: The Bank of Canada (the “Bank”) cut rates for the third consecutive time with a 25 basis points cut in its target for the overnight rate to 4.25%. The Bank stated “With continued easing in broad inflationary pressures, Governing Council decided to reduce the policy interest rate by a further 25 basis points. Excess supply in the economy continues to put downward pressure on inflation, while price increases in shelter and some other services are holding inflation up. Governing Council is carefully assessing these opposing forces on inflation”.

Regarding CPI, the Bank stated that “inflation slowed further to 2.5% in July. The Bank’s preferred measures of core inflation averaged around 2 ½% and the share of components of the consumer price index growing above 3% is roughly at its historical norm. High shelter price inflation is still the biggest contributor to total inflation but is starting to slow. Inflation also remains elevated in some other services”.

The Bank commented on the Canadian economy as follows, “In Canada, the economy grew by 2.1% in the second quarter, led by government spending and business investment. This was slightly stronger than forecast in July, but preliminary indicators suggest that economic activity was soft through June and July. The labour market continues to slow, with little change in employment in recent months. Wage growth, however, remains elevated relative to productivity.”

The bond market reaction to the announcement was muted – basically no change. The Canadian dollar rose by one quarter of 1 cent on the news.

Goodwood Portfolio Reaction: The Bank’s third 25 basis points rate cut was well anticipated by the market. A weak labour market is becoming an increasing concern for the Canadian economy and is prompting the Bank to ease monetary policy. We have now seen two months of negative job creation in June and July and the unemployment rate has risen to 6.4%. Goodwood’s interest rate forecast for the remainder of 2024 is for two additional 25 basis points rate cuts at the Bank’s October and December meetings. Goodwood’s 2025 interest rate forecast is set out in the table below.

Goodwood Fixed-Income Strategies: Goodwood uses a disciplined, bottom-up, and fundamental approach in analyzing Canadian investment-grade corporate bonds. The investment-grade portfolios seek to preserve capital and provide a high cash coupon income. We have been adding current new issues to the portfolios with cash coupons in the 4.50% to 5.25% per annum range. In addition, we believe bonds in our portfolios may outperform as a result of spread tightening from improving company and industry fundamentals. Our strategies are well diversified by position size, industry sectors and term-to-maturity. Goodwood’s flexible, tactical approach can capitalize on inefficiencies in the fixed-income markets. The long-only investment-grade bond mandate invests in 20-30 fixed-income securities. Similar Long-Short mandate: [Goodwood Milford Fund](#). Goodwood also acts as sub-advisor, managing [investment grade bond](#) and [ESG-conscious investment grade bond](#) mandates for third-party clients, institutions, pensions and endowments.

Historical Interest Rate Trend and Forecast:

Quarter	BOC	3M	2Y	5Y	10Y	30Y	FED	3M	2Y	5Y	10Y	30Y
Q1'24	5.00	5.01	4.19	3.54	3.47	3.36	5.50	5.36	4.62	4.21	4.19	4.34
Q2'24	4.75	4.66	4.00	3.52	3.51	3.40	5.50	5.36	4.72	4.33	4.34	4.50
Q3'24	4.25	4.10	3.25	3.10	3.20	3.25	5.25	5.20	3.90	3.70	3.85	4.20
Q4'24	3.75	3.75	2.90	2.90	3.10	3.20	4.75	4.70	3.70	3.55	3.70	4.10
Q1'25	3.25	3.25	2.70	2.80	3.05	3.10	4.25	4.30	3.30	3.50	3.65	4.00
Q2'25	3.00	3.00	2.60	2.75	3.00	3.05	3.75	3.80	3.20	3.40	3.60	3.90
Q3'25	3.00	2.90	2.50	2.70	2.90	3.00	3.50	3.55	3.15	3.30	3.55	3.90
Q4'25	3.00	2.80	2.50	2.70	2.90	3.00	3.50	3.50	3.15	3.30	3.50	3.90
Actual	Forecast	Sources: Historical: Refinitiv; Forecast: Goodwood Inc.										

Corporate Spread (i.e., premium over government bonds) Trend and Forecast:

Corporate bond spreads are 0 to 10 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on July 24, 2024.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	4.9	4.3
Goodwood ESG-Conscious Investment-Grade Bonds	4.3	4.2
Goodwood Milford Fund	4.4	4.0
iShares Core Canadian Universe Bond ETF	7.2	3.8
iShares Canadian Corporate Bond ETF	5.8	4.6

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at August 31, 2024. See full disclosure on page 2.

Recent Investment-Grade Additions to Portfolios:

ATS Corporation 6.50% 08/21/2032
Chemtrade Logistics Inc 6.375% 08/28/2029
Enbridge Inc 4.73% 08/22/2034
Rogers Communications 4.25% 04/15/2032
South Bow 4.933% 02/01/2035
Suncor Energy 5% 04/09/2030

Recent Investment-Grade Deletions from Portfolios:

BP Capital Markets 3.47% 05/15/2025 [sold]
Dollarama Inc 2.443% 07/09/2029 [sold]
John Deere 2.81% 01/19/2029 [sold]
Rogers Communications 5.65% 09/21/2026 [sold]
Smartcentres REIT 5.162% 08/01/2030 [sold]
TransCanada 2.97% 06/09/2031 [sold]

Important Information:

This communication is for information purposes only and is not, and under no circumstances is it to be construed as, an invitation to make an investment in the Goodwood funds (the "Funds") nor does it constitute a public offering to sell the Funds, strategy or any other products described herein. It should not be relied upon when evaluating the merits of a potential investment in any funds or strategies managed by Goodwood Inc. **Performance returns within are calculated for the founding Class of Units for Goodwood Milford Fund LP. Other class or series or strategies, may charge different fees and/or have different holdings and therefore returns between classes and Funds may vary. In addition, although the Goodwood Milford Fund LP has a similar mandate to the Investment Grade Bond mandate, each mandate may charge different fees, have different portfolio holdings and asset classes and therefore performance returns between the mandates will vary. As a result, the Goodwood Milford Fund Class S returns are not directly comparable and there can be significant differences between mandates. Fund returns are net of all fees. Past performance is not indicative of future results. Please contact Goodwood to better understand the differences between the Goodwood Milford Fund returns and the Investment Grade Bond and ESG-Conscious Investment Grade Bond mandates. The Investment Grade Bond Mandate and ESG-Conscious Investment Grade Bond Mandate are part of a third-party investment manager UMA account program for which Goodwood Inc. acts as sub-advisor. The information provided herein is for informational purposes. The UMA mandates are only available to clients of the third-party manager's advisors who are part of the third-party UMA account program.** Performance data from certain market indices/ETFs (iShares Core Canadian Universe Bond ETF and iShares Canadian Corporate Bond ETF) are provided in this presentation for information purposes only. A comparison of the Fund's performance to such ETFs is of limited use because the composition of the portfolios may contain other securities not found in the market index/ETF. As a result, no market indices/ETFs are directly comparable to the results of the Fund or strategy.

This communication is not a product of any research department. Goodwood Inc. does not have a research department. Any views and/or commentary in this communication is by the Author (Portfolio Manager of the Goodwood funds). This commentary is not a recommendation and does not take into account whether any product or transaction is suitable for any particular investor. The information contained herein is drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or an offer to buy or sell the securities mentioned herein. The Goodwood funds and/or the principals, officers, directors, employees of Goodwood Inc. may have a position in the securities mentioned herein and may make purchase and/or sales of these securities from time to time. Our valuations may contain forward-looking information which is subject to change. Actual results or performance may differ materially from those expressed or implied in this document as a result of unforeseen events and their effects on our valuations and opinions. No representation is being made that any account will or is likely to achieve profits or losses similar to those mentioned herein. There can be significant differences between hypothetical performance results and the actual results subsequently achieved by any particular portfolio or trading strategy.