

Bank of Canada Statement Summary and Commentary: The Bank of Canada (the “Bank”) cut rates for the fourth consecutive time with its first “jumbo” 50 basis points cut in this cycle. The target for the overnight rate is now 3.75%. The Bank stated “With inflation now back around the 2% target, Governing Council decided to reduce the policy rate by 50 basis points to support economic growth and keep inflation close to the middle of the 1% to 3% range. If the economy evolves broadly in line with our latest forecast, we expect to reduce the policy rate further.”

Regarding CPI, the Bank stated that “CPI inflation has declined significantly from 2.7% in June to 1.6% in September. Inflation in shelter costs remains elevated but has begun to ease. Excess supply elsewhere in the economy has reduced inflation in the prices of many goods and services. The drop in global oil prices has led to lower gasoline prices.” “With inflationary pressures no longer broad-based, business and consumer inflation expectations have largely normalized.”

The Bank commented on the Canadian economy as follows, “In Canada, the economy grew at around 2% in the first half of the year and we expect growth of 1¾% in the second half. GDP growth is forecast to strengthen gradually over the projection horizon, supported by lower interest rates. This forecast largely reflects the net effect of a gradual pick up in consumer spending per person and slower population growth. Residential investment growth is also projected to rise as strong demand for housing lifts sales and spending on renovations. Business investment is expected to strengthen as demand picks up, and exports should remain strong, supported by robust demand from the United States. Overall, the Bank forecasts GDP growth of 1.2% in 2024, 2.1% in 2025, and 2.3% in 2026. As the economy strengthens, excess supply is gradually absorbed.”

The Bank’s view on the labour market is that “The labour market remains soft - the unemployment rate was at 6.5% in September. Population growth has continued to expand the labour force while hiring has been modest. This has particularly affected young people and newcomers to Canada. Wage growth remains elevated relative to productivity growth. Overall, the economy continues to be in excess supply.”

The bond market reaction to the announcement was muted, the short end under 3 years dropped by about 5 to 10 basis points. Longer duration bonds were impacted by a weak US market today. The Canadian dollar fell on the release of the news. The CAD dollar is hitting multi year lows.

Goodwood Portfolio Reaction: The Bank’s 50 basis points rate cut was definitely in the conversation of market forecasters. The well below expected inflation measures for September released recently showed a 1.6% measure year over year in both the headline and core reading. A weak labour market has been an ongoing concern for the Bank with unemployment high in the 6.5% range. Goodwood’s interest rate forecast for the remainder of 2024 is for an additional 25 basis points rate cut at the Bank’s December meeting. 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	3.94	2.91	2.74	2.96	3.14	4.75	4.63	3.65	3.58	3.80	4.13
Q4'24	3.50	3.75	2.90	2.90	3.00	3.10	4.50	4.50	3.80	3.90	4.10	4.25
Q1'25	3.00	3.25	2.70	2.80	2.95	3.00	4.00	4.20	3.45	3.70	4.00	4.10
Q2'25	2.75	3.00	2.60	2.70	2.90	3.05	3.50	3.80	3.20	3.50	3.80	4.00
Q3'25	2.75	2.90	2.60	2.70	2.85	3.00	3.50	3.55	3.15	3.30	3.55	3.90
Q4'25	2.75	2.80	2.60	2.70	2.85	3.00	3.50	3.50	3.15	3.30	3.50	3.90

Actual Forecast Sources: Historical: LSEG; Forecast: Goodwood Inc., internal forecast used to position our Goodwood bond portfolios

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

Corporate bond spreads are 0 to 5 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on September 4, 2024.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	5.0	4.1
Goodwood ESG-Conscious Investment-Grade Bonds	4.2	4.0
Goodwood Milford Fund	5.7	4.4
iShares Core Canadian Universe Bond ETF	7.4	3.5
iShares Canadian Corporate Bond ETF	5.8	4.2

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at September 30, 2024 See full disclosure below.

Recent Investment-Grade Additions to Portfolios:

407 International Inc 4.54% 10/09/2054
 Canadian Core Real Estate LP 4.482% 10/16/2029
 CNH Industrial Capital Canada Ltd 4.0% 04/11/2028
 CPPIB Capital Inc 2.25% 12/01/2031
 Coast Capital Savings Federal Credit Union 4.517% 10/18/2027
 ENMAX Corporation 4.695% 10/09/2034
 Fortis Inc. 4.171% 09/09/2031
 Granite LP 4.348% 10/04/2031
 Sienna Senior Living Inc. 4.436% 10/17/2029
 Stella-Jones Inc 4.312% 10/01/2031
 Toronto Hydro Corporation 3.99% 09/26/2034
 WSP Global Inc. 4.754% 09/12/2034

Recent Investment-Grade Deletions from Portfolios:

Allied Properties REIT 5.534% 09/26/2028 [sold]
 CI Financial Corp 3.759% 05/26/2025 [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.