Bank of Canada Statement Summary and Commentary: The Bank of Canada (the "Bank") today cut its policy rate by 25 bps to 3.00% in a widely expected move. The Bank stated that it was confident that inflation will stay at about 2% but that the labour market in Canada continues to be soft. Although the Bank states it believes the Canadian economy will grow, it is concerned with the impact of potential US tariffs. The Bank stated "projections are subject to more-than-usual uncertainty because of the rapidly evolving policy landscape, particularly the threat of trade tariffs by the new administration in the United States." and "if broad-based and significant tariffs were imposed, the resilience of Canada's economy would be tested. We will be following developments closely and assessing the implications for economic activity, inflation and monetary policy in Canada".

Regarding CPI the Bank stated "CPI inflation remains close to 2%, with some volatility due to the temporary suspension of the GST/HST on some consumer products. Shelter price inflation is still elevated but it is easing gradually, as expected. A broad range of indicators, including surveys of inflation expectations and the distribution of price changes among components of the CPI, suggests that underlying inflation is close to 2%. The Bank forecasts CPI inflation will be around the 2% target over the next two years."

The Bank's comments on the economy "The Bank forecasts GDP growth will strengthen in 2025. However, with slower population growth because of reduced immigration targets, both GDP and potential growth will be more moderate than was expected in October. Following growth of 1.3% in 2024, the Bank now projects GDP will grow by 1.8% in both 2025 and 2026, somewhat higher than potential growth. As a result, excess supply in the economy is gradually absorbed over the projection horizon."

The Bank's 25 bps cut was widely anticipated by the market. We noticed little discernable movement in bond prices or the Canadian dollar after the announcement.

Goodwood Portfolio Reaction: The Bank is giving itself a number of options to loosen financial conditions going forward, if it needs to respond to a weak economy and/or US tariffs. Specifically, "The Bank is also announcing its plan to complete the normalization of its balance sheet, ending quantitative tightening. The Bank will restart asset purchases in early March, beginning gradually so that its balance sheet stabilizes and then grows modestly". This potential quantitative easing, in addition to our forecast of more cuts in the policy interest rate, is another tool the Bank could use to loosen financial conditions in the event tariffs are enacted. We believe the Bank could announce rate cuts by 25 bps two additional times at the March and April meeting dates, pausing the policy rate at 2.50% in Q2 while the Bank assess the impact of interest rate cuts. We believe that the further 50 bps in anticipated rate cuts could generate the opportunity for capital gains for Canadian bonds. Goodwood's fixed income investment portfolios are strategically positioned to take advantage of such a scenario.

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 appreciate 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	3.25	3.20	2.94	2.97	3.24	3.34	4.50	4.33	4.25	4.39	4.58	4.78
Q1'25	2.75	2.80	2.85	2.95	3.20	3.30	4.25	4.25	4.25	4.40	4.60	4.80
Q2'25	2.50	2.60	2.70	2.90	3.10	3.25	4.25	4.15	4.10	4.30	4.60	4.75
Q3'25	2.50	2.60	2.70	2.90	3.10	3.25	4.25	4.15	4.10	4.30	4.60	4.75
Q4'25	2.50	2.70	2.80	3.00	3.20	3.30	4.25	4.30	4.40	4.50	4.75	4.95

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 10 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on December 11, 2024.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	4.9	4.0
Goodwood ESG-Conscious Investment-Grade Bonds	4.0	3.9
Goodwood Milford Fund	5.9	5.6
iShares Core Canadian Universe Bond ETF	7.3	3.6
iShares Canadian Corporate Bond ETF	5.7	4.1

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at December 31, 2024 See full disclosure below.

Recent Investment-Grade Additions to Portfolios:
Enbridge Pipelines Inc 3.52% 02/22/2029
Equitable Bank 3.91% 12/17/2027
Maritime Link 4.048% 12/01/2052
Prologis LP 4.2% 02/15/2033

Recent Investment-Grade Deletions from Portfolios:
Veren Inc. 5.503% 06/21/2034[sold]

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