

# Goodwood Fixed Income Strategies

Compound Return (%)	1 Mo	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr	15 Yr	Inception	Weighted Average Yield	Effective Duration
<b>Goodwood Milford Fund*</b>	<b>-1.51</b>	<b>0.85</b>	<b>9.07</b>	<b>-0.67</b>	<b>3.67</b>	<b>4.41</b>	<b>9.52</b>	<b>10.03</b>	<b>6.6%</b>	<b>5.9</b>
iShares Core Canadian Universe Bond ETF	-0.71	-0.07	4.12	-0.69	0.69	1.82	2.91	-	3.4%	7.3
iShares Canadian Corporate Bond ETF	-0.16	0.98	6.83	1.34	2.07	2.69	3.59	-	4.3%	5.7
S&P/TSX Composite TR Index ("TSX")	-3.27	3.76	21.65	8.58	11.08	8.65	8.28	7.33	2.7%	-

Returns are net of fees. Source: Goodwood Inc.; Goodwood Milford Fund LP - Class S and iShares by Blackrock. See page 2 for more detailed footnote.

## Portfolio Manager

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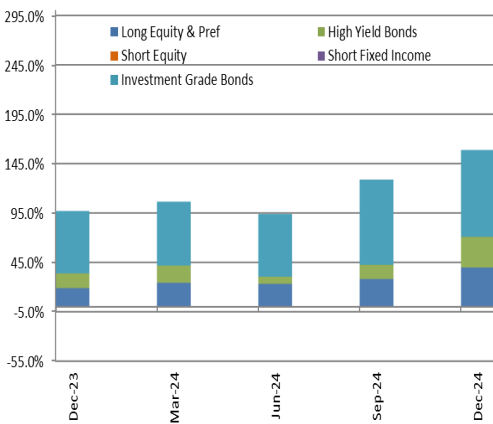
## Goodwood Fixed Income Strategies

**Goodwood Milford Fund Units** - The Goodwood Milford Fund has a core strategy of investing in corporate bonds selected to provide higher coupon income and capital gains from credit upgrades and credit-enhancing events. The Fund's manager uses a bottom-up, fundamental investment style to deliver strong returns with low monthly volatility. The Fund can invest a portion of its assets in long-short equity investments.

**Institutional Segregated Accounts** - Goodwood offers sub-advisory portfolio management services to pensions, endowments, foundations and other institutional investors. The [investment-grade bond](#) mandate's objective is to preserve capital and provide a high rate of cash coupon income. The environmental, social, and (corporate) governance ("[ESG](#)") [conscious investment-grade bond](#) mandate's objective is to preserve capital and generate income by investing in bonds with good relative ESG performance and attractive coupons.

**Private Client Accounts** - Goodwood offers segregated managed accounts to individual investors utilizing a corporate bond and equity investment strategy similar to the Goodwood Milford Fund; however, each account is customized to meet investors' goals, objectives and risk tolerances.

## Historical Asset Allocation\*



## Goodwood Milford Fund Portfolio Review

**Investment Grade Corporate Bonds** - Rate cutting cycles began in 2024 in Canada and the US. The Bank of Canada (the "BoC") started first in June, cutting rates five times (including three 25 bps and two 50 bps cuts) which lowered the policy rate from 5.00% to 3.25%. The US FOMC started later, in September, with three cuts bringing the target rate for the federal funds from 5.25%-5.50% to 4.25%-4.50%. Success with falling inflation numbers and concern over rising unemployment levels were the main drivers behind the initiation of rate cuts in both countries. In 2025, Goodwood currently anticipates that the BoC will cut rates three more times bringing the policy rate down to 2.50% and that the FOMC will cut twice reducing the target rate to 3.75%-4.00%. In our view, each country is facing a markedly different economic outlook. Canada is facing rising unemployment levels into the high 6% range. Prime Minister Trudeau has offered a plan to significantly scale back immigration into Canada which could be positive for the labour market. Canada also faces a potential 25% tariff on goods exported to the US to be imposed after Donald Trump's inauguration in January. The US on the other hand has a strong economy which experiences periodic "growth scares". GDP is strong in the US, and we believe Chairman Powell is committed to achieving a soft landing for the US economy. In Canada bond market performance during 2024 saw positive capital gains (yields down, prices up) in 2-5-year terms and in maturities 7-years and longer yields ended the year at levels higher than at the start of the year. Coupon income and spread tightening on investment grade corporate bonds were the main drivers of performance for Canadian bonds. We expect that Canada will continue to experience economic weakness from economic forces including the potential Trump tariffs and as a result Canadian rates are likely to be cut generating potential capital gains in 2025.

The Fund returned -1.51% in December and +9.07% in 2024. Bonds sold off in December (yields rose) in reaction to press conference commentary from FOMC Chairman Powell and projections in the December *Statement of Economic Projections* which were interpreted as dampening the prospect of multiple upcoming interest cuts by the FOMC. The market moved from the prior assumption of four cuts in 2025 to two cuts.

**High Yield Bonds** - The US high-yield bond ETF (iShares iBoxx \$ High Yield Corporate Bond ETF) returned -0.49% in December and +7.70% in 2024. High yield bonds rallied in line with the rally in risk assets. We believe high yield is an attractive segment of the bond universe as it offers higher current coupon income plus favourable fundamentals in the form of those credits with sizable US operations. The Fund recently bought Sleep Country Canada 6.625% maturing November 28, 2032 and Wolf Midstream 5.95% maturing July 18, 2033.

**Equities** - The S&P/TSX Composite TR Index ("TSX") December and 2024 returns were -3.27% and +21.65%, and the Dow Jones Industrial Average total returns were -5.13% and +14.99%, respectively. Both indices recorded back-to-back plus 10% years. The US indices rode the wave of the "magnificent seven" to record highs in 2024.

**Preferred Shares** - The S&P/TSX Preferred Share Index returned +2.59% in December and +24.70% in 2024. The Fund currently holds no preferred shares.

As a reminder, the Fund provides weekly & monthly liquidity and is open to new investors.

Portfolio Statistics	FUND
Effective Duration (Years) (Net)	5.9
Net Capital Invested	158.4%
Correlation to Broad Mkt (TSX)	0.60

**Goodwood Fixed Income Strategies**

**Growth of \$100,000 Invested January 1, 2006**



Returns are net of fees. Source: Goodwood Inc., Goodwood Milford Fund LP Class S

**Investment Awards:**

- 2021 Global Manager Research Top Performer: **Credit-Focused Alternatives - 3-Year Return**
- 2021 Global Manager Research Top Performer: **Credit-Focused Alternatives - 1-Year Return**
- 2019 Canadian Hedge Fund Awards: **Overall Best Hedge Fund Category**
- 2019 Canadian Hedge Fund Awards: **Best 1-Year Return Category**
- 2018 Canadian Hedge Fund Awards: **Best 5-Year Return Category**
- 2017 Canadian Hedge Fund Awards: **Best 5-Year Return Category**
- 2016 Canadian Hedge Fund Awards: **Best 5-Year Sharpe Ratio Category**
- 2015 Canadian Hedge Fund Awards: **Best 5-Year Sharpe Ratio Category**
- 2014 Canadian Hedge Fund Awards: **Best 5-Year Return Category**
- 2012 Canadian Hedge Fund Awards: **Best 3-Year Sharpe Ratio Category**
- 2012 Canadian Hedge Fund Awards: **Best 3-Year Return Category**

Goodwood Milford Fund



WINNER OF THE 2019 CANADIAN HF AWARDS

Credit Focused

Best 1 Year Return

1st Place

Goodwood Milford Fund



WINNER OF THE 2019 CANADIAN HF AWARDS

Overall Best Hedge Fund  
Best Combined 10 Year Return  
AND Sharpe Ratio

1st Place

**Information Disclosure:**

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