Bank of Canada Statement Summary and Commentary: The Bank of Canada (the "Bank") paused today, keeping its policy rate at 2.75%.

The Bank's comments on the economy, "In Canada, the economy is slowing as tariff announcements and uncertainty pull down consumer and business confidence. Consumption, residential investment and business spending all look to have weakened in the first quarter. Trade tensions are also disrupting recovery in the labour market. Employment declined in March and businesses are reporting plans to slow their hiring. Wage growth continues to show signs of moderation."

Regarding inflation, the Bank stated "Inflation was 2.3% in March, lower than in February but still higher than 1.8% at the time of the January MPR. The higher inflation in the last couple of months reflects some rebound in goods price inflation and the end of the temporary suspension of the GST/HST. Starting in April, CPI inflation will be pulled down for one year by the removal of the consumer carbon tax. Lower global oil prices will also dampen inflation in the near term. However, we expect tariffs and supply chain disruptions to push up some prices. How much upward pressure this puts on inflation will depend on the evolution of tariffs and how quickly businesses pass on higher costs to consumers. Short-term inflation expectations have moved up, as businesses and consumers anticipate higher costs from trade conflict and supply disruptions. Longer term inflation expectations are little changed."

The Bank set out two possible scenarios for the Canadian economy (*note the Bank has pulled its forecasts*), "the April *Monetary Policy Report* (MPR) presents two scenarios that explore different paths for US trade policy. In the first scenario, uncertainty is high but tariffs are limited in scope. Canadian growth weakens temporarily and inflation remains around the 2% target. In the second scenario, a protracted trade war causes Canada's economy to fall into recession this year and inflation rises temporarily above 3% next year. Many other trade policy scenarios are possible. There is also an unusual degree of uncertainty about the economic outcomes within any scenario, since the magnitude and speed of the shift in US trade policy are unprecedented."

Goodwood Portfolio Reaction: The Bank's pause in the policy rate was expected by the market. In the US, FED officials have widely stated their concerns regarding potential tariff induced inflation. Central bankers appear to be currently more concerned with rising inflation as opposed to unemployment. We set out Goodwood's interest rate forecasts in the chart below. In Canada, we are forecasting a 25 basis points cut in each of Q2 and Q3 ending 2025 at a terminal rate of 2.25%. In the US, we forecast three 25 basis point cuts, two in Q3 and one in Q4. US interest rates are currently higher than Canadian rates. For example, the US 10 year bond currently yields around 4.3% whereas the Canada 10 year yields 3.1%. The US economy is forecast to slow down faster than Canada for two reasons, 1) Canada has experienced a greater amount of economic contraction vs. the US and 2) the US is economy is forecasted to experience a higher degree of "self inflicted" pain from tariff imposition and retaliations.

In reaction to the Bank's announcement, bond market prices fell from 10 basis points to 35 basis points in 5 year and longer tenors and the Canadian dollar rose slightly.

Goodwood's portfolios are diversified between various industries and our maturity structure is currently tilted towards short (1-2 year) and mid (3-7 year) bonds. We feel this portfolio structure gives our portfolios a defensive stance in this volatile environment.

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	2.64	2.47	2.62	2.97	3.23	4.50	4.30	3.91	3.98	4.35	4.61
Q2'25	2.50	2.60	2.50	2.60	2.90	3.35	4.50	4.25	3.75	3.90	4.25	4.70
Q3'25	2.25	2.40	2.30	2.50	2.80	3.30	4.00	4.00	3.65	3.70	4.00	4.60
Q4'25	2.25	2.40	2.30	2.40	2.75	3.30	3.75	3.80	3.50	3.70	3.90	4.60

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 5 to 10 basis points wider over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on March 12, 2025.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	4.7	3.9
Goodwood ESG-Conscious Investment-Grade Bonds	3.8	3.8
Goodwood Milford Fund	5.8	4.9
iShares Core Canadian Universe Bond ETF	7.2	3.3
iShares Canadian Corporate Bond ETF	5.7	3.9

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at March 31, 2025. See full disclosure below.

Recent Investment-Grade Additions to Portfolios:
US Treasury 3.875% 08/15/2034

Recent Investment-Grade Deletions from Portfolios:
Bombardier U$ 6.0% 02/15/2028 [sold]
CIBC FX-FR 01/28/2085 [sold]
Province of B.C. U$ 2.25% 06/02/2026 [sold]
Province of Ontario U$ 2.3% 06/15/26 [sold]
US Treasury 4.125% 01/31/2027 [sold]
US Treasury 4.25% 01/31/2030 [sold]
US Treasury 4.25% 01/15/2028 [sold]

Contact: Curt Cumming, President
cscumming@goodwoodfunds.com

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