



Goodwood Funds

2009 Annual Meeting

April 20, 2010



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Peter Puccetti, CFA

Chairman & Chief Investment Officer

2009 Annual Meeting

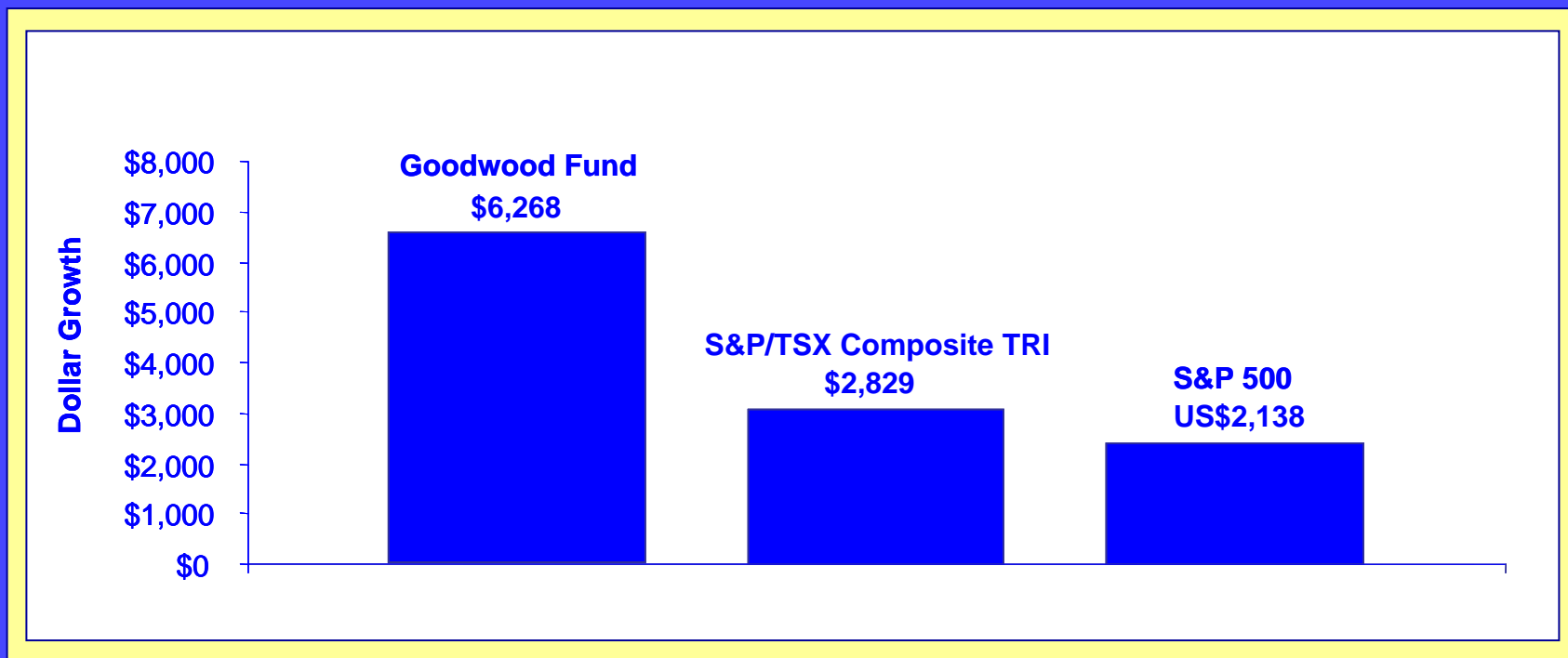
- Fund's recent and long term results
- Current portfolio review
- 2009/Early 2010 remarkable recovery in asset values
- Position overview
- Other opportunities
- Q&A
- Reception

Goodwood Fund "A" Units – Annual Returns Since Inception

Date	Annual Return
October 31, 1996	-
December 31, 1996	-0.9%
December 31, 1997	41.1%
December 31, 1998	2.5%
December 31, 1999	50.1%
December 31, 2000	51.4%
December 31, 2001	25.0%
December 31, 2002	-18.5%
December 31, 2003	30.5%
December 31, 2004	15.2%
December 31, 2005	28.9%
December 31, 2006	10.7%
December 31, 2007	-2.9%
December 31, 2008	-45.3%
December 31, 2009	45.6%
YTD April 16, 2010	14.2%

* Net of fees

Goodwood Fund "A" Units
Value of \$1,000 invested since October 31, 1996 to April 16, 2010



* Net of fees

Current Portfolio Review*

- 92.6% of equity long, 21.3% of equity short
- 113.9% total invested as % of equity
- 10.4% in US\$ debit position (as partial hedge against being net long US\$ in portfolio)
- Top 5 longs = 45.8% of equity
- Top 10 longs = 60.7% of equity
- Based on month ends since Mar./'09, average longs = 92.1% of equity and average shorts = 12.0% of equity

* As at April 16, 2010

2009/Early 2010: Remarkable Recovery in Asset Values

- Between March 2009 lows and now S&P/TSX up 59.5%, S&P 500 up 37.6% (in C\$) and, Goodwood Fund up 95.9%
- US high yield bond spreads vs. comparable term US government paper have dropped from 14.68% in Dec./'08 to just 5.77% on Apr.6/'10
- High yield bond issuances reached US\$67.9 billion in Mar./'10 quarter vs. US\$11.3 billion in Mar./'09 quarter. Currently, junk bonds yield 8.59% on average, the lowest since Oct./'07
- US Treasury department estimates of the cost of "TARP bailout" now just US\$89 billion vs. US\$250 billion estimated one year ago (as the US Treasury has made significant profits on its various warrant positions and loan interest)
- Even the securitization issuance market has begun to improve dramatically
 - An Apr.16/'10 Bank of America Merrill Lynch US Securitization Report stated that "The rallies in ABX and CMBX this week are flashing powerful signals about the economy... the Fed can claim victory and the economic recovery has entered the Virtuous cycle phase, during which the positive feedback loop between sentiment and actual economic data powers the economy forward (just as the negative loop drove the collapse)"

2009/Early 2010: Remarkable Recovery in Asset Values

- US mortgage delinquencies 30+ days past due...

	Mar 2010	Since Jan 2010
	↓ 8.6%	
	↓ 342,000 loans	↓ 647,000 loans
Balance:	1.45 million loans*	

* level last seen in spring 2008

- But...according to Moody's Economy.com...still a lot of problems: More than 3.6 million homes will be lost from 2010 to 2012
- Improving US consumer credit – according to Equifax and Moody's Economy.com: Credit cards at least 60 days past due = 2.67% at Mar./'10 vs. 2.86% at Dec./'09
- General Motors recently indicated it will repay approximately US\$4.7 billion loan balance years ahead of schedule...probably before Jun/'10
- March US auto sales up 24.3% vs. previous month. Best month since Aug./'09 when US "Cash for Clunkers" program generated big sales. But, seasonally adjusted annual rate of 10.5 million still well below annual sales levels of past years...16.2 million in 2007

2009/Early 2010: Remarkable Recovery in Asset Values

- Today's Wall Street Journal: "Tech Firms Bulk Up With Debt...As They Build War Chests For Deals"...

US\$	Pre Debt Raise Cash	Debt Raise	Total Cash Available
SAP	\$2.7 billion	\$1.4 billion	\$4.1 billion
Adobe	\$1.9 billion	\$1.5 billion	\$3.4 billion
Ciena	\$1.0 billion	\$0.4 billion	\$1.4 billion

- Despite already large cash balances...Oracle, IBM and Dell raised more than US\$20 billion combined in 2009 selling bonds
- Canadian scene – hardly a week goes by without a new convertible debenture financing being announced. Deal terms are usually very attractive for issuer. For example, yesterday's Just Energy Income Fund \$330 million bought deal of 6% coupon, 34% conversion premium (\$18 conversion price vs. \$13.48 last trade on units), 7 year unsecured subordinated debentures

2009/Early 2010: Remarkable Recovery in Asset Values

- Despite this remarkable recovery, investors have been too frightened to put more \$'s to work ... according to The Investment Company Institute, domestic US stock mutual funds saw approximately US\$28 billion in outflows between Mar.31/'09 and Apr.7/'10 ... US\$160 billion between Jun./'08 and Apr.7/'10

- Significant concerns abound:
 - China is likely in a bubble that will end badly (would be especially bad for commodities/TSX)

 - Government deficits/borrowing amounts (driven by stimulus spending) have hit extraordinarily high levels (e.g., "PIIGS" countries, Japan at 200%+ debt to GDP, US and UK getting to much less comfortable ratios)

 - US consumer will require many years to repair his/her personal balance sheet and economic growth will be dampened by rising savings rate

 - Should interest rates rise from extremely low levels = 2 implications: no tailwind for stock/asset values from declining interest rates and, higher cost to service large sovereign and personal debt balances

2009/Early 2010: Remarkable Recovery in Asset Values

- The Japanese experience of 1990-2009 shows how long lasting the negative effects of an economic bubble bursting are - e.g., two decades in a row of negative stock market returns but with many large rallies interrupting the overall trend
- High Japanese government debt levels are partly a result of the bursting of its 1980's bubble as deficit spending became entrenched to offset lethargic private sector economic activity
- It is possible that North American and European economies/governments may be following a similar path or ... perhaps we will see a more normal recovery ... sharp/"V-shaped" ... who knows?

2009/Early 2010: Remarkable Recovery in Asset Values

- Regardless of the nature of this economic recovery, the Goodwood Funds are best served focusing on:
 - Stay long/invested in high quality businesses that will continue to earn good returns on invested capital - returns can be paid out as dividends, interest (if we own company's debt), buying accretive/complimentary businesses, share buybacks, etc.
 - Continue to look for short term opportunities to earn profits: a position with a 5% return earned in a month = 80% compounded over a year
 - Continue to be opportunistic on short sales both increasing index shorts at times and in finding stand alone short sale ideas

Goodwood Funds: Position Overview



ATS Automation Tooling Systems Inc. ("ATS"), \$7.55, 19.1% weighting

- Dec.27/'09 net cash per share of \$1.41. We believe the automation business has earnings power of greater than \$1.00 and should trade for 10X to 15X pre-tax earnings. Photowatt could be worth \$2 to \$4 per share = total potential value of \$12 to \$19 (using just \$1 of pre-tax automation earnings and excluding any net cash)
- ATS' automation business will be a big beneficiary of any economic improvement as its cost structure and organizational efficiency have been materially improved upon. Greater than 20% EBITDA margins now appear likely
- Automation revenues for Dec./'09 quarter were \$92 million vs. \$71 million in previous quarter and backlog = \$203 million. On Apr. 8/'10 ATS and a partner received 20 year contracts for 65MW's of Ontario solar developments from the Ontario Power Authority
- The March 25, 2010 acquisition of Sortimat Group is an important first step in becoming a growth story. Sortimat is a world-leading, German manufacturer of specialized assembly systems for medical/pharmaceutical products with \$78 million of 2009 revenues. We expect ATS will target additional acquisitions in attractive automation verticals
- We continue to believe that there is significant share price upside and that the ATS story has a compelling mix of strong management, strong balance sheet, earnings turnaround, significant potential solar development value and, growth-by-acquisition potential in a fragmented automation industry

The Westaim Corporation ("Westaim"), \$0.71, 8.6% weighting

- Original purchase price of approx. 1/3 of ultimate net cash (plus \$100 million+ of tax loss carry forwards for free)
- We joined the Board and became management with a mandate to maximize the opportunity
- After approx. 9 months of looking at various transactions, we were shown opportunity to buy Jevco Insurance Company ("Jevco"). Jevco purchased for 94.5% of hard book value or approx. \$264 million. Very reasonable price partly due to motivated seller
- Jevco generating approx. \$300 million of net premiums earned from various lines such as: non-standard auto in Ontario, motorcycle, surety, etc. Investment "float" of approx. \$900 million. Jevco management have an enviable track record of underwriting success
- Purchase financed by \$275 million equity capital raise leaving Westaim well-financed and able to consider additional acquisitions in the P&C space
- Some premium rates are firming (e.g., Ontario non-standard auto rates saw a cumulative 21.5% increase last year)
- P&C stocks tend to trade between 1X and 2X+ book value

Various Positions

- Enblence Technology Corporation, \$0.75 – FTTH, Tim Thorsteinson, highly accretive TeleData acquisition
- Just Energy Income Fund, \$13.52 – high yield with growth, green play, smart management, acquisition of Hudson Energy highly accretive
- Cenveo, Inc., US\$9.04 – great/engaged management, roll-up strategy, very cheap
- E*Trade Financial Corporation, US\$1.74 – core business is acquisition target, mortgage exposure improving, very cheap
- The Jean Coutu Group, \$9.20 – superb business model, significant management ownership, good free cash flow, long term takeover target
- Gaiam, Inc., US\$9.03 – market leading position, significant growth, enhanced operating leverage, attractive sum-of-the-parts valuation

Various Positions – Continued...

- Cineplex Galaxy Income Fund, \$20.50 – monopoly business, high yield with growth
- Great Canadian Gaming Corporation, \$7.76 – strengthened management, focus on earnings/cash flow generation, BC gaming oligopoly, long term takeout candidate
- Athabasca Oil Sands Corporation, \$13.85 – “Broken IPO” = buying opportunity, premier oil sands development, Chinese backing/interest
- Air Canada + warrants/ACE Aviation Holdings Inc., \$2.50+ \$0.76/\$9.12 – massive equity raise = opportunity for good exposure to unfolding economic recovery, just a trade
- New Flyer Industries, \$11.40 – premier bus manufacturer in North America, 4 year order backlog, high yield, capital gains as balance sheet improved
- Ram Power Corporation, \$2.95 – leading developer of geothermal power plants, base load power, cost effective, very high IRR’s due to leverage and tax incentives

Sample Realizations During Past Year

- Pet Valu – average cost of \$8.45, sold for \$13.68 per share on private equity buyout completed in Aug./'09
- Tundra Semiconductor – average cost of \$3.00, sold between \$5.50 and \$6.20
- AGF Management – average cost of \$7.78, sold for as much as \$13.40
- IESI-BFC – average cost of \$11.20, sold for as much as \$16.92
- March Networks – average cost of \$1.86, sold for as much as \$4.40
- ShawCor – average cost of \$23.65, sold for as much as \$26.65
- Bridgewater Systems – average cost of \$3.05, sold for as much as \$3.94
- Other sample realized gains: Eveready CV Debs, E*Trade stock + Notes, Brick Group Debt Units, Kingsway Financial (plus unrealized gains on its Debs), TransCanada, Fortis, Inter Pipeline, Pembina Pipeline, Keyera Facilities, Fort Chicago Energy, Epcor Power, Great Atlantic & Pacific Tea, Rogers Communications, Paladin Labs, Mercator Minerals, InnVest Real Estate, Chartwell Seniors Housing, North American Palladium, Fairfax Financial, Thompson Creek Metals, TransForce, Jazz Air, Crescent Point Energy, Silver Wheaton, Viterra, Livingston International, Dollarama, Bombardier, etc.

Goodwood Funds: Other Interesting Opportunities



Short Japanese Government Debt

- 30 year bond = very low 2.2% yield-to-maturity
- Government borrowing continues to climb now at approximately 219% Debt-to-GDP (in comparison: Greece – 120%, Italy – 109%, US – 81%, Germany – 76%)
- Aged Demographics = 3 retirees for every worker
- Domestic buyers of debt reducing demand/foreign buyers will have to fill gap
- Should cost of debt rise, virtually all government tax revenue could go to paying interest on bonds
- Yen overpriced too? Was 300+ Yen/US\$1 in 1970's vs. 92 Yen/US\$1 now
- Very difficult trade to structure
- Some strategies would generate lottery type payoffs in certain scenarios (eg., every \$6 invested, returns \$125 if yields rise above a certain level in a certain time frame)

Surfacing Value in Junior Golds

- Juniors typically trade for sub 1X P/NAV, seniors/intermediates 1.5X to 2.2X P/NAV
- Seniors have trouble growing reserves/motivation to buy reserves cheaply
- Number of recent multiple bidder/hostile transactions
- Target juniors with “strategic value” = potential for high returns in short time frame by making use of our activist capabilities
- One Candidate in portfolio now

Long Natural Gas?



- Well-known veteran industry analyst, Henry Groppe, argues that:
 - Shale gas deposits, the primary cause of weak prices, are vastly overstated as the expected extraction economies are way too optimistic
 - Conventional gas well depletion rate of 25% in 1st year is 45% for shale gas
 - For the 94% of US domestic gas supply that is conventional, drilling rig count is 70% below pre-financial crisis level of Sep./'08
 - Consumption continues to grow
 - Expect gas prices above US\$8 per million British thermal units (vs. US\$4 currently) by Sep./'10



Q & A Session

Reception to follow



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