



Goodwood Inc. • 212 King Street West, Suite 201 • Toronto, Ontario, Canada • M5H 1K5

Fund	January Return	2006 Return	Goodwood Compound Annual Return Since Inception	S&P/TSX Compound Annual Return Since Fund Inception
Goodwood Fund "A"*	+2.02%	+2.02%	+22.52%	+10.35%
Goodwood Fund "B"**	+1.85%	+1.85%	+10.27%	+13.47%
Goodwood Capital Fund***	+2.94%	+2.94%	+14.20%	+7.78%
S&P/TSX Composite TRIN	+6.06%	+6.06%	-	-

*Commenced October 31, 1996

**Commenced January 11, 2002

***Commenced December 23, 1999

February 1, 2006

Dear Fellow Unitholder:

This month we will take the opportunity to update you on two of our core positions – our position in Dofasco Inc. (“Dofasco”), given the significant news events surrounding the company over the past month; and our long-held investment in Laidlaw International, Inc. (“Laidlaw”).

As we discussed in our November monthly letter, Goodwood had accumulated a significant position in Dofasco, prior to it becoming the subject of a hostile takeover bid. We indicated at the time that we had reduced some of our position to minimize the risk of not receiving a higher bid (given the fact that the shares were trading at approximately \$64 or a 4% premium to the then current bid of \$61.50 per share from ThyssenKrupp AG (“ThyssenKrupp”)), but continued to hold a significant position as the bidding war with Arcelor S.A. (“Arcelor”) looked to be just getting started. After a revised bid of \$63 per share was announced on December 23rd by Arcelor, Dofasco shares rallied to over \$65 per share. Goodwood liquidated its remaining position at approximately \$65.50 per share, resulting in a gain of approximately 75% over its average cost of \$37.32 for these remaining shares.

Though this is the end of the story for Goodwood unitholders, it is far from the end of the story for Dofasco. In a bizarre twist of events, after agreeing to an all-cash tender offer by Arcelor at \$71 per share (which ThyssenKrupp refused to match), on January 27th Mittal Steel Company NV (“Mittal”), the world’s largest steel maker, launched a hostile tender offer for all of the shares of Arcelor. As part of the proposed transaction, once Mittal obtains control of Arcelor, it plans to immediately sell Dofasco to ThyssenKrupp.

Still following? Stay tuned to your local financial newspaper, this soap opera is far from over.

When discussing our value investment philosophy with unitholders, we often talk about the importance of downside protection and margin of safety. We are always on the look out for opportunities where the “sum-of-the-parts” is substantially greater than the current share price, where effectively you are getting “something for free”. In the case of our core position in Laidlaw, in addition to an undervalued core business, this free asset was Greyhound Lines, Inc. (“Greyhound”), the very familiar national provider of intercity bus transportation. When we made our original investment in Laidlaw in 2003, the market (and to be completely honest, us as well), had left Greyhound for dead, ascribing very little if any value to the enterprise. In addition to a challenged core business, Greyhound had liabilities – a high cost debt issue and under funded pension plan – that had to be dealt with before equity holders would see any value. However, if Greyhound management could successfully turnaround the business, significant incremental value could be created.

Over the past couple of years, Greyhound management has reduced costs, improved “revenue yield” (i.e., revenue per bus mile), while at the same time conserving cash to pay down its obligations. On January 5th Laidlaw reported first quarter fiscal 2006 results showing that this turnaround is beginning to take shape – Greyhound revenue, EBITDA, and revenue per bus mile were all up substantially from fiscal 2005. While the pace of improvement is expected to slow moving forward, the business is showing very positive signs that it has a sustainable future. With the shares moving up 17% in the month of January, it is fair to say that the market is starting to take notice. We continue to hold a lesser Laidlaw position in the fund.

As always, if you have any questions or comments, do not hesitate to e-mail or call.

Yours truly,

Peter Puccetti, CFA
Chairman and Chief Investment Officer
invest@goodwoodfunds.com

Cam MacDonald, CFA
President and Chief Executive Officer
(416) 203-2922
www.goodwoodfunds.com

