



Fund	Net Asset Value Per Unit	May Return	2010 Return	Goodwood Compound Annual Return Since Inception	S&P/TSX Compound Annual Return Since Fund Inception	Russell 2000 Compound Annual (C\$) Return Since Fund Inception
Goodwood Fund "A"*	\$26.8087	(5.63)%	+2.49%	+13.56%	+7.77%	+4.46%
Goodwood Fund "B"**	\$11.6420	(5.63)%	+2.49%	+2.72%	+7.65%	(0.12)%
Goodwood Capital Fund***	\$15.0288	(6.34)%	+1.10%	+6.14%	+5.54%	+1.23%
S&P/TSX Composite TRIN	-	(3.48)%	+1.21%	-	-	-
Russell 2000 Index (C\$)****	-	(5.07)%	+5.53%	-	-	-

* Commenced October 31, 1996

** Commenced January 11, 2002

*** Commenced December 23, 1999

**** Russell 2000 Index – total return, converted to C\$

June 1, 2010

Dear Fellow Unitholders:

Should we eventually move beyond the market's latest worries (this time sovereign credit and geo-political rather than sub-prime) then we could see a renewed focus back on corporate fundamentals. In that light, we expect the Funds' more significant holdings to be viewed very positively by investors given the direction of their underlying fundamentals. A periodic and conservatively-estimated calculation of our potential upside serves to remind us that, in keeping with our stated approach, we are not investing to minimize monthly fluctuations but rather for the big potential gains that are possible from long term investing. With this in mind, we note that our latest estimate of the Funds' potential upside from just the top ten long positions is 67% (again, this is an estimate but we think reasonably arrived at).

Our E*Trade Financial Corporation (“E*Trade”) position typifies our thinking. From its April US\$1.87 interim peak, E*Trade stock has dropped by approximately 21% to US\$1.48. Yet, the late April release of its first quarter 2010 results, if anything, points to greater shareholder value in the future. Recall that our basic rationale for owning E*Trade is that improvements in, or a sequestering of, its real estate loan book (ramped up inopportunely during the mid 2000’s) would lead to the value of its online brokerage platform surfacing. For example, in the quarter ended March 31, 2010, if E*Trade did not have to provide US\$268 million of additional loan loss provisions it’s reported earnings would have been US\$202.1 million pre-tax for the quarter or US\$808.4 million pre-tax on an annual basis (roughly US\$0.41/share).

There are signs that the loan book exposure is getting better. For example, since September 30, 2007, US\$10.5 billion of loan paydowns (i.e., loan repayments) and US\$2.8 billion of loan charge-offs have taken the loan balance from US\$32.3 billion to US\$19 billion. Further, for the March 31, 2010 quarter, at-risk delinquencies (30-179 days late) declined by 8% versus the previous quarter. And, for the first time since early 2008, the E*Trade “bank” internally generated risk-based capital rather than consumed.

TD Ameritrade Holding Corporation (Ameritrade’s CEO has publicly expressed an interest in E*Trade’s online business) and Charles Schwab Corporation are comparables and trade for 15X and 22X P/E multiples (2010 forecast earnings) respectively. If E*Trade were to trade for just 10X the no-loan-loss-provision March 2010 quarter pre-tax earnings result (as per the US\$0.41/share above) then the stock could be valued at US\$4.10 or about 177% higher than the current share price. Realistically though, a proper target will be derived by applying some low value to the E*Trade “bank” (the entity that houses the real estate loans), factoring in E*Trade’s corporate debt and applying some higher valuation multiple to the core online brokerage operation. It remains to be seen what a “cleaned-up” E*Trade would trade for but we feel confident that it would be appreciably higher than the current share price and we like the contrarian aspect of effectively going long US residential real estate exposure in this manner.

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
www.goodwoodfunds.com

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

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Disclaimer

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