For the year ending December 31st, 2020, the Goodwood Capital Fund's (the "Capital Fund", "Fund") net asset value per Class "F" unit increased +66.28%. Over this same period, the S&P/TSX Composite Total Return Index ("TSX") increased +5.60% and the S&P/TSX SmallCap Total Return Index ("SmallCap Index") increased +12.87%. Strong stock selection and monetization of a private investment in the Fund were principal attributes of the Fund's annual return.

A principal objective of the Capital Fund is to achieve capital appreciation by investing in securities of North American companies that we believe to have superior potential while providing investors with access to a fund that is unlike traditional mutual funds and completely index agnostic (i.e., very high active share). To achieve this, the Capital Fund is managed by focusing on three alpha generation strategies – 1) long term capital compounders, 2) special situations and 3) private investments. In 2020, the Capital Fund had strong results across all three strategies.

Primary contributors to the Fund's performance in 2020 were Polaris Infrastructure Inc. ("Polaris"), Medexus Pharmaceuticals Inc. ("Medexus"), Cargojet Inc. ("Cargojet"), and a private investment in Amp Solar Group Inc. ("AMP"). Polaris' share performance was driven by continued interest and fund flows in the environmental, social & governance ("ESG") space, de-risking of political and project risk, strong progress on several growth initiatives and a re-rating of its discounted multiple. Despite the strong performance, we continue to hold Polaris as a core holding in the Fund and believe the Company is still materially undervalued. Medexus share price performance was a function of strong operational performance and a catch-up trade as it was significantly undervalued versus its peers. We continue to believe Medexus has an excellent product pipeline and a strong runway for growth, both organically and acquisition driven. In 2020, Cargojet was a significant benefactor from the migration of off-line to on-line transactions. We continue to believe Cargojet is in a very compelling market position as the dominant player in the time sensitive middle-mile, in an age of increased e-commerce penetration. As we enter some form of recovery from shelter-in-place restrictions, we believe it's reasonable to assume consumers will slowly revert to off-line purchases and this will likely present a tough comparable year for 2021. However, looking beyond 2021, we believe Cargojet is an exceptional business that could have many years of tailwinds given the infancy of the e-commerce industry.

During Q4, the Fund began to initiate positions in several companies that we believe can compound their intrinsic value at exceptional rates over the next 2-3 years. These companies ranged from; i) a bio-plastic technology company that is engaged in the design, production and distribution of bio-plastics for use in packaging and durable product applications, ii) a company that offers a virtual platform as a preventative measure against chronic diseases such as diabetes, heart disease, lung disease, etc., iii) a company that is engaged in providing in-home monitoring equipment, supplies and services related to respiratory disease management in the U.S., and iv) a mobile game publisher that's focused on acquiring and optimizing game franchises. All these companies share the following common traits: strong management teams, fortress balance sheets, industries with significant runway for growth, ability to grow organically and through acquisitions, and the visibility to deploy capital at high incremental return-on-invested-capital ("ROIC") for an extended period.

As mentioned above, one of the key strategies of the Capital Fund is the opportunistic allocation the Fund can make to private investments. We note however there are regulatory restrictions on the amount of illiquid securities the Capital Fund may hold. One such private investment was AMP, a core investment in the Capital Fund. AMP is a global renewable energy infrastructure, manager, developer and owner of renewable assets. Founded in 2009, AMP has become one of the leading global renewable energy platforms with operations throughout North America, Japan, Australia, India, the UK and the Czech Republic. Goodwood's investment in AMP was initially structured as a private loan, which was ultimately repaid in full. However, despite the loan being fully repaid, noteholders received no-cost equity through equity-based performance covenants representing ~5% of the Company. Goodwood across its Funds carried the free equity at CAD$8/share that being our best estimate of fair value considering operating challenges historically faced by AMP and a healthy liquidity discount. Although AMP was experiencing strong growth, we were consciously conservative in our valuation of AMP given the complexity of the business, the difficulty in valuing private investments and the uncertain nature of a liquidity event. In Q4 2020, AMP received a significant capital injection from a global private equity firm to fund future growth and buyout the minority shareholders in a secondary transaction. The Goodwood Funds tendered our shares in AMP and were fully monetized at circa CAD$75/share, representing an approximate 9x+ return on our carrying value. At Goodwood, we have the unique ability to source and invest in private investments and have a long and successful track record of doing so. We intend to continue to prudently allocate capital to private investments when we identify investment opportunities with exceptional return potential that more than compensates us for the additional risk and lack of liquidity inherent in private investments.

Although our primary objective is micro analysis and stock selection; we think it's also important to have a firm grasp of the macro environment. Today our macro focus is on rates, liquidity, the path of recovery from COVID-19, the makeup of the Executive and Legislative Branches of the U.S. government, and the interplay among these factors. When thinking about rates, what matters for risk assets is real rates, which continued to be pinned at the lows as inflation expectations continue to rise while 10yr yields remain firm at around 1%. This means the relative attractiveness of stocks vis-à-vis bonds has not changed. As long, as the backdrop of negative implied real rates remains, we believe the stock market will be supported. From a political perspective, it looks like the Democrats will have a razor thin control of both Houses of Congress and the White House, with a relatively "centrist" tone to large factions of the party. The likely implications are increased stimulus, higher inflation and potential risks of higher corporate taxes, increased regulation, and government oversight. From a sectoral standpoint, we think the most impacted are Infrastructure, Renewable Energy, Cannabis and Technology. The first three in a positive manner, while the impact on Technology is unclear for now. Other factors to monitor throughout 2021 are the health of the consumer and corporations/investors who are sitting on a record pile of cash, a synchronized upturn coming out of a synchronized downturn, income scarcity and persistent hunt for yield, outperformance of small vs large caps, internal market rotation towards cyclicals, and robust capital markets for M&A transactions.

Although we cannot say with any certainty what the future will hold, what we can promise is our goal to offer investors a truly unique, differentiated, and high value strategy. For better or worse, the Capital Fund will never be like an index or its peers. Given Key Principles of Goodwood own approximately 16% of the Fund, we think for the better.

We want to thank our clients for entrusting us with your capital and wish you all a happy, safe, and prosperous 2021!

Best,

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