

Annual Report of the Independent Review Committee of the Goodwood Group of Funds (the “Funds”)

February 13, 2019

IRC Annual Report to: Securityholders in the Goodwood Group of Funds (the “Funds”) as listed at the end of this report

Dear Securityholders,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** (“NI 81-107” or the “Instrument”), the Manager established an Independent Review Committee (the “Committee” or “IRC”) for the Funds in April 2007. The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

The Manager also manages several Non-Prospectus Funds that are not reporting issuers and to which NI 81-107 does not apply. Through changes to the Declaration of Trust for the Goodwood Fund, a Non-Prospectus Fund, the Manager appointed the Committee to be the Independent Review Committee of the Goodwood Fund effective October 9, 2012. The Manager will deal with the conflicts of interest matters to the IRC in accordance with the provisions of the Declaration of Trust and the Manager’s Conflict of Interest Manual.

The Prospectus Funds and the Non-Prospectus Funds are listed on page 4.

The IRC is pleased to publish its annual report to securityholders, covering the period from January 1, 2018 to December 31, 2018 (the “Reporting Period”).

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide decisions to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures, hereinafter referred to as the Conflict of Interest Matters manual.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will provide a decision to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to it. In those cases, the IRC has sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and municipality of residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Eamonn B. P. McConnell, Toronto, Ontario – Chair	Consultant, Managing Director, Kensington Capital	Initially Appointed: April 2007 Re-appointment Term: Two years from January 1, 2018.
W. William Woods, Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Initially Appointed: April 2007 Re-appointment Term: Three years from January 1, 2016.
Lawrence A. Ward, Toronto, Ontario	Consultant, retired partner of PricewaterhouseCoopers, LLP	Initially Appointed: October 2007 Re-appointment Term: One year from October 26, 2018.
Edna A. Chu	Lawyer, Compliance Consultant	Initially appointed February 13, 2019 until December 31, 2021

William Woods' term ended on December 31, 2018. As part of the IRC's established succession plan, he did not stand for re-appointment. Edna Chu was appointed to the IRC as his replacement on February 13, 2019 until December 31, 2021.

On November 16, 2018 Lawrence Ward was re-appointed to the Goodwood IRC effective October 26, 2019 for a term of one year. The re-appointment of Lawrence Ward extended his total years of service beyond the 6 year term limit set out in NI 81-107. However, the Manager has provided its agreement with the re-appointment beyond the 6 year term limit in accordance with the provisions of the Instrument.

Compensation and Indemnification

Review of Compensation

At least annually, the IRC reviews its compensation giving consideration to the following:

- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- industry best practices, including industry averages and surveys on IRC compensation; and
- the complexity of the conflict issues brought to the IRC.

The IRC reviewed comparable benchmarks and has determined not to make any changes in the members' compensation at this time.

Members' Fees

In aggregate the IRC members were paid \$30,000 in 2018, plus applicable taxes.

Indemnities Granted

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC Members pursuant to this indemnity by the Funds or the Manager during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2018, the IRC Members did not beneficially own, directly or indirectly:

- any units in the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or the Funds.

Decisions and Approvals

On May 23, 2018 the Manager requested a positive recommendation from the IRC for Peter Puccetti and Curt Cumming to be immediately appointed to the Board of Directors of Medexus Inc. ("Medexus"). Medexus is a private, Canadian specialty pharma company held in both the Goodwood Fund and the Goodwood Capital Fund (the "Funds"). In summary, the proposed transaction involved a 3-way transaction by which Medexus would be acquired by a public (TSX(v)-listed) specialty pharma company. Simultaneously the public company would acquire the US operating subsidiary of a large German, private specialty pharma company called Medac (the "Transaction"). After reasonable enquiry and based on the information provided to the IRC by the Manager (both verbally and in writing), the IRC **RESOLVED** unanimously that the Manager's proposed course of action to allow Peter Puccetti and Curt Cumming to become directors of Medexus represented a fair and reasonable result for the Goodwood Fund and the Goodwood Capital Fund.

On July 31, 2018 the Manager proposed that the the Goodwood Fund invest \$1 million in an anticipated \$60mm capital raise in a public company which was acquiring Medexus Inc. ("Medexus") as part of the Transaction as outlined above. The Goodwood Capital Fund did not participate in the offering for regulatory reasons. The directors of the Manager received \$3 million in stock of Medexus as compensation for their investment banking efforts. After reasonable enquiry, and based on the information provided to the IRC by the Manager prior to and during the meeting (both verbally and in writing), the IRC **RESOLVED** unanimously that the Manager's proposed course of action to direct the Goodwood Fund to invest \$1 million in the Transaction and to rebate that portion of the \$3 million CDN in cash back to the Funds in accordance with the Manager's rebate policy represented a fair and reasonable result for the Funds.

On October 15, 2018 the Manager proposed entering into a consulting contract with the public company, Pediapharm for 4 years at \$10,000 per month to source and analyze potential M&A and product opportunities. On July 31, 2018 the IRC provided its approval to the Transaction as outlined above. After reasonable enquiry, and based on the information provided to the IRC by the Manager prior to and during the meeting (both verbally and in writing), the IRC **RESOLVED** unanimously that the Manager's proposed course of action to enter into a consulting agreement with Pediapharm and rebate that portion of the monthly compensation back to the Funds in accordance with the Manager's rebate policy represented a fair and reasonable result for both Funds.

Standing Instructions Approved

The IRC has approved three SIs, which constitute a written approval or decision from the IRC that permit the Manager to proceed with the specific action(s) set out in the SIs on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SIs. In each case, the SIs required the Manager to comply with its related policy and procedures and to report periodically to the IRC.

Standing Instruction No. 1: Omnibus.

This SI deals with a number of conflict of interest matters including:

1. Expenses charged to the Funds policy
2. Expense allocations policy
3. Portfolio Pricing Policy
4. Short-term trading
5. Trade allocations policy
6. Net asset value error correction policy
7. Other material transaction error policy
8. Broker selection policy
9. Soft dollars policy
10. Favouring certain investors and proxy voting policy
11. Personal trading
12. Late trading
13. Affiliated dealer policy
14. Custodial and Prime Brokerage Services
15. Prime Brokerage Stock Lending Services
16. Rebalancing Authorization Plan

Standing Instruction No. 2: Fair Valuing Securities

Standing Instruction No. 3: Related Party Issues: The Funds Purchases Securities (whether debt or equity) Issued by a Company related to The Manager

Manager's Report on Standing Instructions

In accordance with the Instrument, the Manager provided written reports to the IRC describing its reliance on any SI during the Reporting Period. The Manager relied on each of the SIs during the Reporting Period.

Funds served by the IRC

Prospectus Fund: Goodwood Capital Fund

Non-prospectus Fund: Goodwood Fund

This report is available on the Manager's website at www.goodwoodfunds.com or you may request a copy, at no cost to you, by contacting the Funds at 866.681.4393 or email the Funds at invest@goodwoodfunds.com. This document and other information about the Funds are available on www.sedar.com.

Yours truly,



Eamonn B. P. McConnell, Chair

Schedule of IRC Members who sit on IRCs for other Fund Families

Eamonn McConnell served as a member of the Independent Review Committees for the following funds during 2018:

Investment funds that are reporting issuers managed by Genus Asset Management Inc.

Investment funds that are reporting issuers managed by Integra Capital Limited;

Investment funds that are reporting issuers managed by EdgeHill Partners LP;

Appointed effective July 24, 2018

Investment funds that are reporting issuers managed by Next Edge Capital Corp.;

Investment funds that are reporting issuers managed by Russell Investments Canada Limited;

Resigned effective May 31, 2018

Investment funds that are reporting issuers managed by Ninepoint Partners LP

Investment funds that are reporting issuers managed by Onex Credit Partners, LLC; and

Investment funds that are reporting issuers managed by Sprott Asset Management Inc.

Lawrence A. Ward served as a member of the Independent Review Committees for the following funds during 2018:

Investment funds that are reporting issuers managed by Ninepoint Partners LP;

Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;

Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Inc.;

Investment funds that are reporting issuers managed by Russell Investments Canada Limited;

Certain investment funds managed by Sprott Asset Management Inc.; and

Investment funds that are reporting issuers managed by Vertex One Asset Management Inc.

Resigned effective January 1, 2019

W. William Woods served as a member of the Independent Review Committees for the following funds during 2018:

Investment funds that are reporting issuers managed by Goodwood Inc.;

Retired effective January 1, 2019;

Investment funds that are reporting issuers managed by Next Edge Capital Corp.;

Investment funds that are reporting issuers managed by NextEge Man Offshore Funds;

Appointed effective May 29, 2018

Investment funds that are reporting issuers managed by Ninepoint Partners LP;

Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;

Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;

Investment funds that are reporting issuers, managed by Picton Mahoney Asset Management Inc.

Investment funds that are reporting issuers, managed by Educators Financial Group Inc.;

Investment funds that are reporting issuers managed by Russell Investments Canada Limited;

Investment funds that are reporting issuers managed by Wisdom Tree Asset Management; Canada

Inc. *Appointed effective August 1, 2018*

Investment funds that are reporting issuers managed by Spartan Asset Management Inc.; and

Investment funds that are reporting issuers managed by Sprott Asset Management Inc.

Resigned effective January 1, 2019

Edna A. Chu served as a member of the Independent Review Committee for the following funds during 2018:

Investment funds that are reporting issuers managed by AIP Asset Management Inc.