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**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**GOODWOOD CAPITAL FUND  
(the "Fund")**

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling the toll-free number 1-866-681-4393, by writing to us at Goodwood Inc., 212 King Street West, Suite 200, Toronto, Ontario, M5H 1K5 or by visiting our website at [www.goodwoodfunds.com](http://www.goodwoodfunds.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

This report may contain forward looking statements about the Fund, including its strategy and expected performance. Forward looking statements are based on current expectations and projections about future events and are subject to risks, uncertainties and assumptions about the Fund and certain economic factors. Forward looking statements are not guarantees of future performance and actual performance could differ materially. Any number of factors could contribute to such differences including general economic, political and market factors as well as catastrophic world events. This list of factors is not exhaustive and the forward looking statements made herein will not be updated prior to the release of the next management report of fund performance.

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### ***Investment Objective and Strategies***

The investment objective of the Fund is to achieve capital appreciation by investing primarily in equity securities of North American companies over a broad range of industry sectors.

In making investment decisions on behalf of the Fund, Goodwood Inc., the portfolio manager (hereinafter referred to as “Goodwood”, or the “Manager” or “we”) uses a bottom-up approach to investing, which involves intensive analysis of the individual company and associated industry conditions. The investment strategy is value-oriented, where focus is placed on companies that Goodwood believes possess a market price significantly below the intrinsic or true economic value of the business and/or generate strong return on invested capital with reinvestment opportunities and possess excess free cash flow allowing for internally funded growth, debt repayment, dividends and/or buybacks.

### ***Risk***

The risks associated with investing in this Fund remain as discussed in the Simplified Prospectus dated May 14, 2019. The Fund continues to be suitable for those investors with a medium to high risk tolerance and who plan to invest for the long term.

The Fund’s overall level of risk has not changed materially in the past year. The Fund is suitable for investors who are willing to accept the higher risks associated with investing in or having exposure to small and/or micro-cap issuers. As well, the Fund holds a concentrated portfolio of investments and may, from time to time, hold a large portion of its investments in a single issuer or a relatively small number of securities, which make the Fund susceptible to higher volatility since the value of the Fund’s portfolio will vary more in response to changes in the market value of these securities.

In certain instances, either through the Fund’s ownership of an issuer’s securities, having a principal of the Manager appointed to the board of directors or through some other relationship between the Manager and an issuer held by the Fund, the Manager may come into possession of material non-public information that restricts the Manager’s ability to trade in securities of that issuer. This may impact the value of the Fund as the increased liquidity risk could impact the Fund’s ability to buy or sell the securities of the issuer until the information becomes public knowledge.

### ***Results of Operations***

The Fund’s net assets decreased by 25.3% for the 12-month period ended December 31, 2019 from \$6.144 million at January 1, 2019 to \$4.589 million at December 31, 2019. The decrease in net assets over the period is attributable mainly to portfolio redemptions during the year.

For the year ended December 31, 2019, Class A units of the Fund returned +2.91% and Class F units returned +4.07%. The Fund’s performance is net of all fees and expenses. Please also refer to *Past Performance section*.

As at December 31, 2019, the Fund was 89.7% invested, with the Fund holding 21 investments across 10 industry sectors. The Fund had 78% of the portfolio invested in publicly listed North American equity securities, 11.7% in private securities (i.e. companies that do not have quoted prices in active markets) and 10.3% in net cash. During the year, the Fund’s month-end net cash levels fluctuated between 8.2% and 33.1%.

## **Recent Developments**

On May 13, 2019, Goodwood announced the appointment of Gajan Kulasingam, CFA, CPA, CA as Lead Portfolio Manager of the Fund who is principally responsible for the day to day investment management of the Fund and for the investment decisions executed on behalf of the Fund. Mr. Kulasingam was formerly a Vice President and Senior Portfolio Manager at Sentry Investments and the lead Portfolio Manager of Sentry Global Infrastructure Fund. Mr. Kulasingam has vast experience in value-based investing spanning the entire capital structure. Mr. Kulasingam's investment discipline is focused on fundamental business attributes, catalyst events, balance sheet strength and growth and duration of free cash flows.

As a result of the change in Lead Portfolio Manager, the Fund's investment portfolio was diversified from 15 investments across 6 industry sectors to 21 investments across 10 sectors. New investments in 2019 include but are not limited to, Argan Inc., Brookfield Business Partners LP, Cargojet Inc., Enghouse Systems Ltd., FirstService Corp, Moelis & Co., NFI Group Inc., People Corp., TFI International Inc. The greatest contributors to positive return include investments in Enghouse Systems., Polaris Infrastructure Inc., and Strad Inc. (which was sold in Q1, 2020). The largest detractors from positive performance include KLX Energy Services and Medexus Pharmaceuticals Inc.

The Fund did not undergo any material changes during the reporting period, including, but not limited to, its strategic positioning, Manager or portfolio adviser or accounting policies. With regard to the composition of its Independent Review Committee ("IRC"), one IRC member, Williams Woods' term ended on December 31, 2018. As part of the IRC's established succession plan, he did not stand for reappointment. Edna Chu was appointed to the IRC as his replacement on February 13, 2019 until December 31, 2021. In addition, IRC member Lawrence Ward's term ended on October 25, 2019 and as part of the IRC's established succession plan, he did not stand for re-appointment. Rod Mclsaac was appointed to the IRC as his replacement effective October 26, 2019 until October 25, 2021.

## **Outlook**

As we entered 2019, we anticipated the year to be about risk management versus chasing returns. As it turns out, we were a year too early. To be fair, we misjudged the extent of the damage that was done in Q4 2018 and the subsequent rebound that occurred as the Fed performed its famous "pivot". However, we think there's a big difference between the correction in Q4 2018 versus the one that's occurring early March, 2020.

In Q4 2018, the Fed began to tighten its very accommodative monetary policy. This spooked the markets as this was the first time the Fed was embarking on a tightening schedule since the Global Financial Crisis, and it was doing so at a time when the global economies appeared to be stalling out. Thus, the markets feared the tightening would tip the global economy into a recession. Ultimately, the Fed either agreed with the market or the market forced its hand, causing the Fed to pivot and cut rates once again, which launched the post-Christmas and 2019 rally. A rally that was led purely by multiple expansion, as there was zero earnings growth at the market/index level. The Fed caused the market selloff, and the Fed fixed the market selloff, simple enough.

We believe the 2020 correction is far more systemic and complex, given there's no easy solution to assuage the correction. Broadly speaking, this correction can be attributed to the following factors:

- extreme valuations, complacency and positioning when the markets were at all-time highs;
- market structure that is vastly different than the past, where price discovery is significantly diluted and market swings of 2-3% daily can be the norm;
- a tectonic shift in global supply chains which were triggered by the tariff wars, and now by the coronavirus. Some of these shifts will be temporary, but some will be permanent as multi-national companies now embrace the importance of a diversified supply chain;
- an election where far-left socialist views may become the reality of policies;

- the widespread pandemic of COVID-19. There are a lot of things we don't know about COVID-19, but some of the things we do know are: it's not "just the flu" – the contagion and mortality rates are significantly higher;
- the economic consequences, while hard to quantify, will certainly be deep-and-wide, at least in the interim.

Fear and panic can cause human reactions to be far dislocated from reality. So, we don't believe there is an easy quick-fix solution to this crisis. In broad strokes, there's really three possible outcomes in our opinion:

- the pandemic causes severe and prolonged economic damage which cannot be offset by conventional fiscal and monetary policies;
- there are significant coordinated global monetary and fiscal policies that are surgically targeted and effective in combating the COVID-19 outbreak;
- countries take extreme and draconian steps to mitigate the spread of COVID-19, which in the short term devastates global economies, but in the long term allows for a global recovery once the virus has been contained and vaccinated.

Since we don't know which of the outcomes may occur, all we can do is monitor the data and govern accordingly. While we do believe "this too shall pass", what we don't know is how long it can take and what the scope of the damage will be during the process of recovery.

So far in 2020, the Fund has held up very well relative to its peers and the broader market. Primarily a function of the portfolio's high cash balance, allocation to private placements and quality of the businesses the Fund owns. As this correction evolves, the Fund will look to tactically allocate capital. We have been patient in building our portfolio and now believe there is an emerging opportunity to invest in great businesses at attractive valuations.

## ***Related Party Transactions***

### Management Fees

Goodwood is responsible for the day-to-day business operations and affairs of the Fund and on this basis, is entitled to fees as described under “Management Fees” on page 6.

### Brokerage Commissions

Total brokerage commissions paid by the Fund during the year ended December 31, 2019 were \$28,680 and commissions on corporate finance transactions amounted to \$0. Out of this amount, gross commissions paid to the Manager and NBIN Inc. for acting as broker in respect of portfolio transactions for the Fund during the year were approximately \$24,587.

### The Rebalancing Authorization Plan

The Manager has implemented a rebalancing authorization plan (the “Plan”) for the investment funds managed by the Manager (the “Goodwood Funds”), including the Fund, to rebalance the securities of certain issuers where such securities are held by more than one Goodwood Fund. The effect of the plan is that, from time to time, the Fund may buy securities from or sell securities to one of the other Goodwood Funds. The IRC has reviewed the Plan and has provided a recommendation that, to the extent a rebalancing trade involves the Fund and is a conflict of interest matter for the Manager, provided that such trade is made pursuant to the Plan, the provisions of the Plan adequately address the conflict of interest matter and that such trade would achieve a fair and reasonable result for the Fund.

### Other

Principals of Goodwood Inc. may, from time to time, accept officer positions and/or directorships and/or provide services to or have other relationships with companies unrelated to Goodwood Inc., including issuers in which clients are invested. In this circumstance, that company would be considered under relevant securities law to be a “connected issuer” to Goodwood Inc. We maintain a list of these companies on our website at [www.goodwoodfunds.com](http://www.goodwoodfunds.com) and have adopted policies and procedures to address conflicts of interest with respect to these relationships. This list may change from time to time, therefore the Manager recommends that investors refer to the website frequently and before making additional purchases of units of the Fund. Currently, MV Realty, PBC, LLC (“MVR”) is considered a connected issuer to Goodwood as Goodwood has entered into a financing arrangement with MVR. Furthermore, Goodwood Inc., or an affiliate of Goodwood Inc., may provide services to and receive compensation from issuers in which the Funds are invested. Goodwood Management Services Ltd., an affiliate of Goodwood Inc., entered into a 6 year Consulting Agreement with Polaris Infrastructure Inc. (formerly Ram Power Corp) dated May 13, 2015, as amended; and, Goodwood Inc. entered into a 4 year Consulting Agreement with Medexus Pharmaceuticals Inc. (formerly Pediapharm Inc.) dated October 16, 2018. Goodwood may also provide services to other issuers in which clients are not invested.

From time to time the Manager, certain officers, directors and key personnel of the Manager, or an affiliate of the Manager, may in the future provide services to and receive compensation from other issuers in which the Fund is invested. It is the policy of Goodwood to make appropriate adjustments to the fees charged by it to the Fund where the fees or other compensation is received directly from issuers in which the Fund is invested. Total fee rebate paid to the Fund during the year ended December 31, 2019 was approximately \$1,052.

## Financial Highlights, Ratios and Supplemental Data

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the twelve-month period ending December 31, 2019 and the past five years ending December 31.

### The Fund's Net Assets Per Unit (\$) <sup>1</sup>

	2019		2018		2017		2016		2015
	Class F	Class A	Class F	Class A	Class F	Class A	Class F <sup>4</sup>	Class A	Class A
Net Assets, beginning of period	\$10.31	\$15.72	\$11.75	\$18.12	\$11.13	\$17.35	\$10.00	\$15.40	\$16.75
Increase (decrease) from operations:									
Total revenue	0.19	0.29	0.22	0.33	0.18	0.26	0.08	0.27	0.31
Total expenses	(0.37)	(0.74)	(0.41)	(0.82)	(0.41)	(0.80)	(0.18)	(0.75)	(0.60)
Realized gain (loss) on investments	0.78	1.46	0.16	0.21	0.46	0.76	(0.99)	(0.83)	0.51
Unrealized gain (loss) on investments	(0.00)	(0.39)	(1.40)	(2.08)	0.75	0.32	1.89	3.25	(1.53)
Total increase (decrease) from operations <sup>2</sup>	0.60	0.61	(1.43)	(2.35)	0.98	0.55	0.81	1.94	(1.31)
Distributions:									
From dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
From capital gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions <sup>3</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Assets, end of period	\$10.73	\$16.17	\$10.31	\$15.72	\$11.75	\$18.12	\$11.13	\$17.35	\$15.40

<sup>1</sup> For the period ended December 31, 2019 and years ended December 31. The information for each December 2019, 2018, 2017, 2016 and 2015 is derived from the Fund's audited annual financial statements prepared in accordance with IFRS. The net assets per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes.

<sup>2</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. The table is not intended to be a reconciliation of beginning to ending net asset value per unit.

<sup>3</sup> Distributions were reinvested in additional units of the Fund.

<sup>4</sup> For the period beginning July 8, 2016 (the date on which units of the class were first sold) to December 31, 2016.

### Ratios and Supplemental Data <sup>1</sup>

	2019		2018		2017		2016		2015
	Class F	Class A	Class F	Class A	Class F	Class A	Class F <sup>5</sup>	Class A	Class A
Total net asset value (000s) <sup>1</sup>	\$ 1,216	\$ 3,374	\$ 1,718	\$ 4,426	\$ 2,160	\$ 6,529	\$ 452	\$ 9,868	\$ 10,384
Number of units outstanding <sup>1</sup>	113,361	208,619	166,709	281,634	183,775	360,285	40,627	568,839	674,427
Management expense ratio <sup>2</sup>	2.81%	3.94%	2.51%	3.65%	2.98%	3.96%	1.12%	3.78%	3.06%
Management expense ratio before waivers or absorptions	2.81%	3.94%	2.51%	3.65%	2.98%	3.96%	1.12%	3.78%	3.06%
Trading expense ratio <sup>3</sup>	0.55%	0.52%	0.75%	0.74%	0.68%	0.67%	0.48%	0.85%	0.43%
Portfolio turnover rate <sup>4</sup>	117.32%	117.32%	124.35%	124.35%	157.86%	157.86%	184.07%	184.07%	128.95%
Net assets value per unit	\$ 10.73	\$ 16.17	\$ 10.31	\$ 15.72	\$ 11.75	\$ 18.12	\$ 11.13	\$ 17.35	\$ 15.40

<sup>1</sup> This information is provided for the past five years ending December 31.

<sup>2</sup> Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>4</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

<sup>5</sup> For the period beginning July 8, 2016 (the date on which units of the class were first sold) to December 31, 2016.

## MANAGEMENT FEES

The Manager is entitled to receive a management fee based on the net asset value of each class of the Fund. The management fee for Class A units of the Fund is 1.90% per annum and for Class F units of the Fund is 0.90% per annum. The fee is calculated and accrued on each valuation date of the Fund, in consideration for managing the day-to-day business of the Fund. This includes managing the investment portfolio, providing investment analysis and making decisions relating to the investment assets in the Fund.

The management fees for the year ended December 31, 2019 were \$97,073. Please refer to *Related Party Transactions - Other* on page 4.

For the year ended December 31, 2019, approximately 33% of the total management fee revenue received from the Fund was attributable to management and investment management services. The balance of these fees was used to pay dealer compensation costs on Class A units.

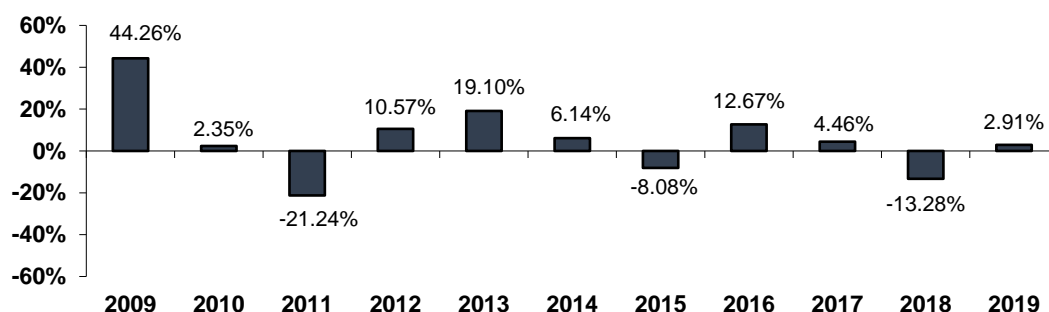
## PAST PERFORMANCE

The Fund's performance information assumes that all distributions made by the Fund in the periods shown were reinvested in additional units of the Fund. The performance information does not include deduction of sales, transfer, redemption, other charges (which distributors may charge) or income taxes payable. These additional charges and taxes would reduce such returns. The Fund's past performance is no guarantee of how it will perform in the future.

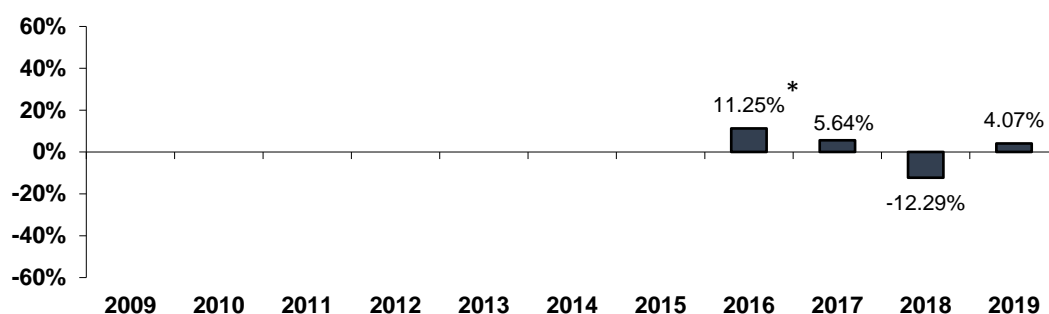
### Year-by-Year Returns

The bar chart shows how the Fund's performance has varied from year to year for each of the periods shown. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 of that year.

#### Class A



## Class F



\* For the period beginning July 8, 2016 (the date on which units of class F were first sold) to December 31, 2016.

## Annual Compound Returns

The below table shows the historical annual compound total return of Class A and Class F units of the Fund for the indicated periods ended December 31 as compared to the broad market performance of the: (i) S&P/TSX Composite Total Return Index and (ii) S&P/TSX SmallCap Total Return Index. The proportion of assets of the Fund invested in any particular market capitalization will vary and may include a large portion invested in small-cap issuers. Class F units have been distributed since July 8, 2016 and therefore, annual compound returns for that class for 5 and 10 year periods are not available. Annualized return for Class F units since inception (July 8, 2016) to December 31, 2019 is 2.04%.

Compound Return (%)	1 Year	3 Year	5 Year	10 Year	Since Inception
Goodwood Capital Fund - Class A	2.91%	-2.31%	-0.70%	0.85%	-
Goodwood Capital Fund - Class F	4.07%	-1.21%	-	-	2.04%
S&P/TSX SmallCap Total Return Index	15.84%	-0.87%	3.18%	3.09%	-
S&P/TSX Composite Total Return Index	22.88%	6.89%	6.28%	6.90%	-

**S&P/TSX Composite Total Return Index** is a broad-based market capitalization weighted index of the largest, most widely held stocks traded on the Toronto Stock Exchange. The index includes reinvestment of dividends and capital gains.

**S&P/TSX SmallCap Total Return Index** provides an investable index for the Canadian small cap market and follows the same methodology as the S&P/TSX Composite Index. The index includes reinvestment of dividends and capital gains.



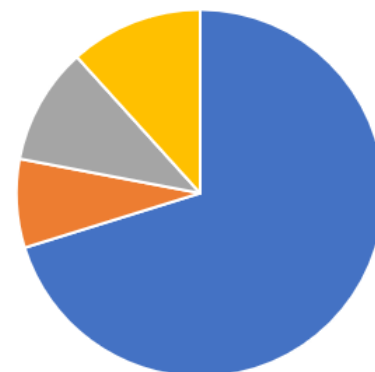
## SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2019

### Asset Mix (as a % of NAV)

Canadian Equity	70.2%
Other	11.7%
Net Cash	10.3%
US Equity	7.8%

100.0%

**Total Net Assets: \$4,589,501**



■ Canadian Equity ■ US Equity ■ Net Cash ■ Other

### Goodwood Capital Fund Holdings (Top 25 as a % of Total Net Assets)

1	Great Canadian Gaming Corporation	11.91%
2	Net Cash	10.30%
3	The Westaim Corporation	7.73%
4	Polaris Infrastructure Inc.	7.58%
5	Medexus Pharmaceuticals Inc.	7.05%
6	AMP Solar Group	6.59%
7	Virginia Black LLC 15.0% Promissory Note	4.24%
8	Enghouse Systems Ltd.	3.99%
9	Brookfield Business Partners LP	3.98%
10	Argan Inc.	3.86%
11	CCL Industries LP	3.68%
12	NFI Group Inc.	3.66%
13	Photon Control Inc.	3.65%
14	Strad Inc.	3.52%
15	People Corp.	3.26%
16	Cargojet Inc.	2.70%
17	FirstService Corp.	2.63%
18	TFI International Inc.	2.62%
19	Open Text Corp.	2.24%
20	Moelis & Co.	2.08%
21	KLX Energy Services Holdings Inc.	1.82%
22	Morgan Solar Inc.	0.91%

The investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates are available within 60 days of each quarter end by visiting [www.goodwoodfunds.com](http://www.goodwoodfunds.com).