GOODWOOD INC.

THE

GOODWOOD

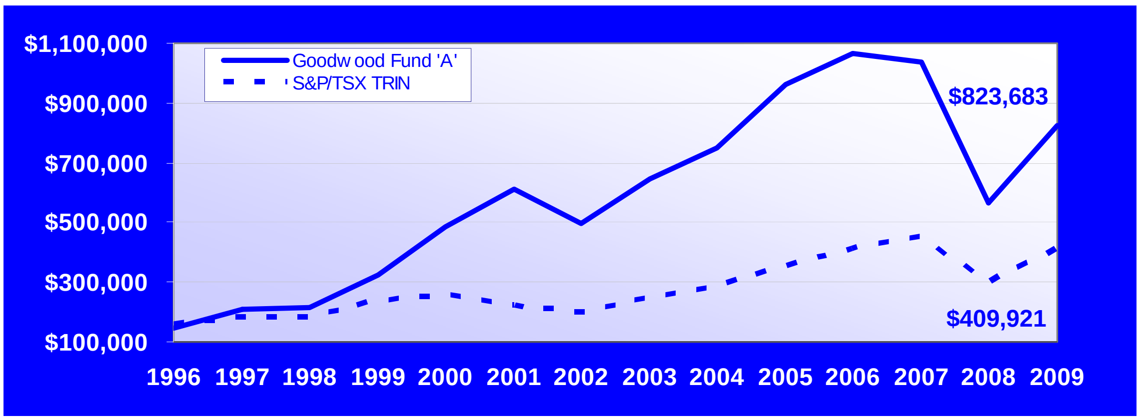
FUNDS

2009 Annual Report
Fourteenth Edition

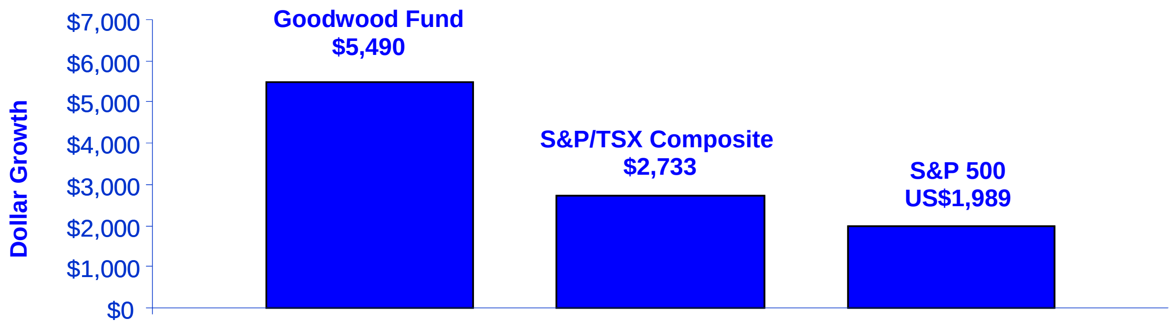
Goodwood Fund "A" Year-Over-Year Returns

October 31, 1996	$ 150,000	
December 31, 1996	148,588	N.A.
December 31, 1997	209,628	41.0%
December 31, 1998	214,764	2.5%
December 31, 1999	322,253	50.0%
December 31, 2000	487,891	51.4%
December 31, 2001	609,864	25.0%
December 31, 2002	496,856	-18.5%
December 31, 2003	648,347	30.5%
December 31, 2004	746,572	15.2%
December 31, 2005	962,344	28.9%
December 31, 2006	1,065,604	10.7%
December 31, 2007	1,034,382	-2.9%
December 31, 2008	565,600	-45.3%
December 31, 2009	823,683	45.6%

Goodwood Fund "A"
Comparison of Change in Value of $150,000 Investment since October 31st, 1996



Goodwood Fund "A"
Value of $1,000 Invested in October, 1996 net of fees to December, 2009



THE GOODWOOD FUND
2009 Annual Report

To the Unitholders of the Goodwood Fund:

For the year ending December 31, 2009, The Goodwood Fund's (the "Fund") net asset value ("NAV") per Class "A" units increased by **+45.6%** while the NAV per Class "B" units also increased by **+45.6%.** The S&P/TSX Composite Total Return Index ("TRIN") increased by +35.1% in the same period.

From October 31, 1996 (commencement of the offering of the Fund) through to December 31, 2009, the Fund has returned **+13.8%** per annum net (after all fees) versus the TRIN's per annum return of 7.9%. [*]

No distributions were paid on December 31, 2009.

The Fund's 2009 audited financial statements are attached for your review.

During 2009 (based on month end figures), the Fund averaged a **98.5%** invested position (i.e., market value of long positions plus market value of short sale positions as a percentage of the Fund's equity). At one extreme, the Fund was **113.0%** invested, composed of **95.6%** long and **17.4%** short, leaving a "net market exposure" (i.e., longs minus shorts as a percentage of the Fund's equity) of **78.2%**. At the other extreme, the Fund was **81.4%** invested, or **70.9%** long and **10.5%** short for a net market exposure of **60.4%**.

Separately and, in the spirit of doing right by our many loyal unitholders, we announced last year that we will be foregoing any claim to future performance fees until we have surpassed the January 1, 2007 valuation (i.e., the Funds' one year high water mark forgiveness feature, as noted in our Offering Memorandum, is suspended). This is clearly the correct action to take.

We have included a copy of the "Goodwood Philosophy" at the end of this letter which provides a good overview of our style of investing. We encourage all of our unitholders to read it each year as it is in our collective interests to have informed unitholders.

All figures in Canadian dollars unless otherwise noted. "Fund" refers to just the Goodwood Fund while "Funds" refers to the Goodwood Fund, The Goodwood Capital Fund and other investment pools that Goodwood Inc. manages.

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[*] The indicated rates of return are the historical total returns over the periods noted, including changes in unit value and reinvestment of all distributions. These indicated rates of return do not take into account any redemption charges that may have been payable by redeeming unitholders, which would have reduced the returns of redeeming unitholders in certain circumstances. Please refer to the Offering Memorandum for details concerning the redemption fee schedule applicable to the Fund and other important information. In addition, performance data represents past performance and is not necessarily indicative of future performance.

2009/Early 2010 – Stocks Perform a V-Shaped Recovery

It's hard to say what caught more people by surprise – the 2008 sharp, almost unprecedented sell-off in virtually all assets or the 2009 sharp, almost unprecedented rally back in virtually all assets? Regardless, as we look back to the writing of last year's Annual Report in March of 2009, what a difference a year makes. Through to March of 2010, the Goodwood Funds have managed to come within spitting distance of our January 2008 levels which, given the inherent upside potential of our core long positions, could be easily surpassed. Frankly, in light of the extent of the 2008 sell-off, we didn't expect to be at this stage this soon.

The manic-depressive behavior of this 2008/2009/early 2010 period illustrates quite well why we believe strongly that an investor is best served over the long term by focusing on buying high quality businesses at appreciable discounts to intrinsic value. In other words, avoid investing by the current headlines - the news was all good heading into 2008 and all very bad in March of 2009. The expression "you pay a high price for a cheery consensus" comes to mind.

Go Forward Strategies

We continue to be focused on finding and owning core long positions in securities which offer a compelling mix of substantial upside and minimal downside. And, as reviewed in the next section, we believe we have a meaningful number of opportunities which, collectively, offer the potential for material upside from current levels. In addition, beginning in mid-2009 (and mirroring the actions of the Goodwood Fund in its early years), we began to be more pro-active in taking advantage of shorter-term opportunities in situations that may not have necessarily qualified for core long status. These situations included everything from participating in hot IPO's to buying into failed bought deals as part of a clean-up of the stock overhang. While the individual positions sizes in these situations are not likely to match that allocated to core long holdings, the cumulative impact can be additive to the Funds' results.

The line separating a core holding from a shorter-term position can get blurry, but, over the last nine months or so, there have been more than 45 individual positions of a shorter-term nature. In some cases, we were in and out of the same security on multiple occasions (e.g., traded in and out of Chartwell Seniors Housing Real Estate Investment Trust multiple times). We anticipate continuing to be more pro-active in attempting to take advantage of shorter term opportunities. We believe this strategy coexists well with our core longer-term philosophy as it forces us to regularly justify our conviction in holding onto something longer term.

As evidenced by our recent actions vis-a-vis The Westaim Corporation (discussed below), we also continue to believe that an activist approach applied to certain situations can generate superior investment results. We anticipate finding more activist situations in the future but with a clear preference for those situations where intrinsic value can be surfaced quickly (rationale: both time value of money and easier workload for the principals of Goodwood Inc.).

In summary, we think the go forward environment is ideal for stock pickers such as ourselves. The mix of difficult-to-achieve organic growth, higher-valued large capitalization stocks vs. lower-valued small/mid-capitalization stocks, much stronger corporate balance sheets and, much improved corporate credit spreads results in a fertile environment for outsized stock-picking returns.

Position Review

ATS Automation Tooling Systems Inc. ("ATS"): $6.55

- ATS continues to be our largest weighting as we continue to believe the upside is very material and the downside minimal. Recent strengthening in the US manufacturing base (aided in part by the weaker US dollar versus a few years ago) bodes well for ATS as it serves a large number of US manufacturers.

- We are big believers in CEO Anthony Caputo and his team. Now that we appear to have gone through the worst of the manufacturing recession, ATS may see some improvements in its automation revenues which could be a precursor to substantially better operating earnings per share given the much improved cost controls. In that vein, note the December, 2009 quarter featured $92 million in automation revenues versus $71 million in the previous quarter and a $203 million backlog (these figures are still well below earlier levels).

- ATS' balance sheet is, in our view, very strong with $122.5 million of net cash as at December 27, 2009. This will be very helpful for the next stage of ATS' development as we expect that ATS can play the role of consolidator in the very fragmented automation integration space (keep in mind that ATS is the world's largest independent automation systems integrator). We think analysts and investors will place a higher target valuation earnings multiple on ATS should it show an effective and accretive acquisition strategy in the automation vertical. The March, 2010 announcement of the acquisition of Sortimat Group ("Sortimat"), a world leading manufacturer of specialized assembly systems for medical products and pharmaceutical dosing devices, is a good first step in this direction. Sortimat's 2009 revenues of approximately $78 million (virtually all in the healthcare space) adds nicely to ATS' automation revenues which are running at an annualized rate of $368 million based on the December, 2009 quarter's results. We expect this will be the first of many.

- The value of a sale or spin-off of ATS' solar operations ("Photowatt") will partly be a function of how successful ATS can be in garnering meaningful solar power purchase agreements ("PPA's") in Europe and Ontario. Many major solar manufacturers have targeted downstream PPA projects as a necessary part of their growth plans. ATS is fortunate in that it has meaningful manufacturing presence in France and Ontario, two of the world's most favourable jurisdictions for solar feed-in-tariffs (the lifeblood of solar PPA's). The extent to which ATS and its partners are successful in developing a meaningful amount of solar PPA's will dictate the ultimate value of Photowatt.

- At some point, we think ATS' core automation business could generate 22% EBITDA margins on a sales base of $600 million or $132 million in EBITDA and approximately $1.37 of pre-tax earnings per share (as at March 31, 2009, ATS had approximately $98 million of various tax loss carryforwards and investment tax credits). At 10x this pre-tax figure ATS would be worth $13.70 per share before factoring in say $3 of low case Photowatt value.

The Westaim Corporation ("Westaim"): $0.75

- The Goodwood Funds' original cost on their investment in Westaim worked out to approximately one third of Westaim's net asset value (mostly composed of cash after the sale of its 75% interest in Nucryst Pharmaceuticals). We would argue that purchasing a security at a discount to its net cash, so long as you invest the cash in a reasonably intelligent manner, is very likely to result in more than satisfactory investment returns.

- Westaim's acquisition of Jevco Insurance Company ("Jevco") (subject to various approvals) at 94.5% of book value (and, with some built-in adverse reserve protection), represents in our view an intelligent deployment of capital. Should Jevco's management team continue to generate solid underwriting results and assuming even just modest investment returns on Jevco's "float" (simplistically "float" is the money an insurance company collects in customer premiums but has not yet paid out in claims or other costs), Jevco has the potential to generate meaningful earnings for Westaim.

- In 2009, Jevco's businesses generated approximately $300 million of direct premiums written and just under $300 million of net premiums earned. The float is currently a bit more than $900 million but we anticipate that this will decline somewhat as Jevco has put some recently-assumed business lines into "run off" mode (i.e., those business lines are no longer being offered and as claims are settled and paid out, the float related to these lines will decline). But, we are expecting growth in Jevco's continuing lines of business which at some point will start driving growth in float again.

- Westaim's proposed financing for the acquisition of Jevco, backstopped by a major commitment from Alberta Investment Management Corporation, leaves Westaim's balance sheet with excess cash and an ability to contemplate further property & casualty ("P&C") insurance company acquisitions in the future. We believe there are a number of interesting P&C companies that we can consider.

- It is possible that Westaim's acquisition of Jevco is well-timed in the sense that premium rates on some business lines are firming. Historically, North American P&C stocks have traded for 2x book value or higher when the pricing cycle is favourable or likely to turn favourable which compares nicely to its sub 1x book value acquisition of Jevco.

Enablence Technology Corporation ("Enablence"): $0.60

- Enablence is a new position for the Goodwood Funds but its new President and Chief Operating Officer, Tim Thorsteinson, is an old acquaintance of ours and someone who has won our trust and respect for the way he managed a previous core holding of ours, Leitch Technologies Inc. ("Leitch"). Tim's appointment to this new role was announced on December 31, 2009.

- Enablence is headquartered in Ottawa and designs, manufactures and sells optical components, subsystems and systems globally. The Company's Systems Division allows service providers (telephone companies) to evolve their access networks from traditional copper-based networks to advanced optical communications access networks that are based on state of the art IP and Ethernet standards (i.e., allows for voice, video and data services including ultrafast internet access). Their network equipment has been deployed with 420 service providers worldwide that serve over 4 million subscribers. The Optical Components and Subsystems Division is a global leader in applying "Planar Lightwave Circuit" technology to integrate multiple components into a single optical chip to reduce footprint and costs. This Optical Division serves over 120 system and subsystem developers and its products have been integrated in all major communications networks worldwide, serving tens of millions of subscribers.

- Notably, on December 2, 2009, Enablence and Intel announced that they will be working (along with other industry leaders) to develop the latest in optical connection technology for personal computers ("PC's"). Intel's new "Light Peak" optical interconnect for PC's will use Enablence's photodiodes and will be ready for shipment during 2010.

- We initiated our investment as part of a $28.75 million capital raise executed by Enablence at $0.40 per share completed in February, 2010. At our purchase price, Enablence's market capitalization was approximately $131 million and net cash approximately $30 million. Enablence has an April fiscal year end and we are expecting north of $100 million of revenues and greater than $15 million of EBITDA in respect of fiscal 2011.

- Enablence is a small player (albeit with interesting/promising technology) in a very big industry. Globally, 89.6 million households are expected to be connected via fiber by 2015, a $100 billion market opportunity (versus just 32.4 million households estimated as at end of 2009). But, ninety percent of today's infrastructure is digital subscriber line ("DSL") to the home based which can't effectively address the "last mile" bottleneck (i.e., high speeds/high capacity networks available but not all the way to the households). As home devices drive demand for ultra fast speeds, this bottleneck has to be solved which is a very large worldwide market opportunity for companies such as Enablence. Note that, with a 56K dial up modem it would take 13 days to download the movie "The Matrix", only 187 minutes with a traditional cable modem and just 1.2 minutes with fiber.

- Tim and the rest of the management team have a difficult road ahead of them to drive sales and gross margins higher, reduce overhead costs and make acquisitions to help accomplish all of this. But again, we have seen Tim in action at Leitch and we have researched his career before and after Leitch and it looks like a reasonable bet to us that he will be able to work some managerial magic here.

Cenveo, Inc. ("Cenveo"): US$9.00

- Entering 2009, the printing industry was getting battered from all sides and experiencing the worst economic conditions in a generation. The financial crisis had reduced spending by US businesses on all types of print, and Cenveo's business was no exception. Overall for 2009, Cenveo sales fell approximately 18% with declines across the board in envelopes, publishing and especially general commercial printing.

- Despite these dramatic declines, Cenveo's management was up to the task. Identifying the depth of the downturn, Cenveo took action early in the year by cutting expenses, matching its costs to its revenues. This helped Cenveo largely maintain margins. Adjusted EBITDA margins were 11.8% in 2009, slightly less than 13.3% in 2008, but still dramatically higher than the 4.0% that Adjusted EBITDA margins were when Bob Burton took over in 2005.

- A debt refinancing in April 2009 and the opportunistic issue of US$400 million of high yield debt in February 2010 to reduce its bank debt, has left Cenveo with a much improved balance sheet, and the additional financial flexibility to once again pursue its strategy of growth through acquisition. The recently announced World Color Press/Quad/Graphics, Inc. and R.R. Donnelley/Bowne & Co. mergers show that consolidation activity in the printing industry is accelerating. We expect that Cenveo, as the fourth largest US printing company, will participate in accretive acquisitions as the industry consolidates which, with the acquisition track record of Cenveo's management will be very positive for its shares.

- Despite Cenveo shares rising over 100% from the end of 2008, its shares continue to be very cheap. Cenveo has guided for US$250 million in Adjusted EBITDA in 2010 (an increase of 25%) and approximately US$120 million in pre-tax cash flow (Cenveo has US$223 million of tax losses, and will not be a cash tax payer until at least 2014). With approximately 62.8 million shares outstanding, Cenveo should generate almost US$2 per share in pre-tax cash flow, for a free cash flow yield of over 20% (16% fully-taxed).

- Cenveo is seeing improvement in its markets begin to accelerate. We believe that as the economy recovers, Cenveo's tight control of costs will result in operating leverage and improved margins moving forward. This organic improvement, should result in a return to growth, and appreciation in the share price. At a free cash flow yield of 12% fully taxed (above normal industry yields pre-2008 of 8-10%), Cenveo shares could trade into the low to mid-teens. Further upside exists as Cenveo restarts its acquisition program and continues to consolidate a very fragmented industry.

Just Energy Income Fund ("Just Energy"): $14.16

- Just Energy sells natural gas and electricity to residential, small to mid-size commercial and small industrial customers under long-term, irrevocable fixed-price contracts (price-protected for electricity). The company offers natural gas in Manitoba, Quebec, British Columbia, Illinois, Indiana, Minnesota and Ohio; electricity in Texas, Pennsylvania and New Jersey and; both gas and electricity in Ontario, Alberta, New York, California and Maryland. By securing the price for natural gas or electricity under such contracts for a period of up to five years, Just Energy's customers reduce or eliminate their exposure to changes in the price of these essential commodities.

- Just Energy derives its margin or gross profit from the difference between the fixed price at which it as able to sell the commodities to its customers and the fixed price at which it purchases the associated volumes from its suppliers. The company's business has proven to be economically-resilient as the negative effect of US home foreclosures on customer attrition are offset by good delinquent account management, other growth initiatives and, as customers generally consider their utility bills to be mandatory payments.

- On February 3, 2010, Just Energy announced that it would reorganize its income trust structure into a high dividend paying corporation and that the current monthly trust payout of $0.1033 per unit (supplemented by annual Special Distributions, $0.20 payable on January 31, 2010 being the most recent) would continue as a monthly dividend. For a tax-paying shareholder this is an improvement in their after-tax yield.

- While we are attracted to the company's solid economics, ability to generate cash, good growth outlook and management's significant personal ownership of units, the catalyst for our investment in Just Energy stems from the company's acquisition of Universal Energy Group ("UEG"). UEG stakeholders received approximately 16% of the combined entity's shares outstanding as compensation for the acquisition but, UEG's contribution to sales, gross margin, distributable cash and residential customer equivalents ("RCE's") is 22%, 26%, 25% and 24% respectively (based on trailing twelve month results at the time of the acquisition). The UEG acquisition will result in at least $10 million per annum of overlap cost savings, brings a successful water heater rental and sales business (which combines well with Just Energy's tankless water heater business) and, fourteen new US state licenses plus operations in six US states that Just Energy was not previously active in.

- Another exciting new aspect of Just Energy's business is its Green Energy Option ("GEO") which allows the customer to source renewable electricity and/or create a carbon neutral footprint for their home or business. In the quarter ending December, 2009, 43% of new customers took up GEO for an average of 86% of their supply. GEO is also allowing for Just Energy sales agents to approach and successfully sell to customers who would not normally buy from a door-to-door salesperson. And, the Company's gross margin on a GEO customer is in the vicinity of $200 per annum versus just $143 for a traditional "brown electricity" customer.

- The earnings accretion from the UEG acquisition, utility deregulation spreading across the US which leads to more growth opportunities, a recession-resistant business model and continued strong profit execution lead us to believe that we will enjoy a solid total return on our Just Energy position. We believe a target price in the high teens is reasonable with a chance that further corporate developments move that target into the low $20's. In the interim, we are being compensated generously with monthly distributions/dividends.

<u>Sub 5% Weighting Notable Positions</u>

E*TRADE Financial Corporation ("E*TRADE"): US$1.59

- E*TRADE's disastrous move into US mortgage lending almost killed the company. But, now we may be near a point where loan loss provisions no longer swamp earnings from the core online brokerage business. Further, with the substantial "equitization" of its balance sheet completed last year, E*TRADE's likelihood of surviving has increased substantially. Even after factoring in the dilution wrought by the balance sheet improvements, E*TRADE's quarterly pre-tax earnings before loan loss provisions appears to be running at an annualized rate of US$0.28 per fully-diluted share. With its strong brand name and the ever increasing penetration of online brokerage, E*TRADE would make a tempting acquisition target for other online competitors (TD Ameritrade comes to mind) and possibly traditional wealth managers who want access to this space.

Cineplex Galaxy Income Fund ("Cineplex"): $19.43

- We continue to trim our Cineplex position which at one time had an approximate 9% weighting within the Goodwood Funds. Our original purchases were in the $14 range initiated when Onex Corporation sold in a bought deal almost all of its remaining position in Cineplex. Cineplex is a fantastic, monopolistic, anti-recessionary business and we have benefitted not just from capital appreciation but also through generous monthly cash distributions. While there are some very good positive drivers to Cineplex's business going forward (e.g., roll out of high ticket price 3D screens, ever increasing high margin concession sales, growing audiences for non-traditional movie screen fare such as sporting events and increasing media sales), we feel that the units are nearing full value and are worried that the coming quarters' box office results may not be as good as the past few quarters.

Great Canadian Gaming Corporation ("Great Canadian"): $8.10

- We have always believed that Great Canadian's collection of gaming assets are superb and that the company would be able to generate meaningful free cash flow. Certainly, under the new influence of Rod Baker (someone we know and respect) the results of the last couple of quarters have demonstrated this to be true. We look forward to seeing what the next stage in the company's evolution will be. Could further consolidation in British Columbia realistically take place? Will Great Canadian more aggressively develop opportunities in Ontario (in particular in the under-served Greater Toronto area)? All of these as-yet-unresolved questions will have a bearing on our go forward weighting.

Air Canada Inc. ("Air Canada")/ACE Aviation Holdings Inc. ("ACE"): $2.01/$7.35

- Initially, we made an investment in ACE as a safer way to play the potential upside in Air Canada (ACE trades at a discount to its net asset value and may be unwound over time). But, in October, 2009 we initiated a position in Air Canada itself upon the $260 million equity recapitalization financing. The financing was attractively structured and priced even though, as an acquaintance of ours put it so eloquently, Air Canada technically has no equity value (yet) and exists solely for the servicing of its pension plan. However, not only is it advisable to be long airline stocks during an economic recovery (as they tend to have substantial financial and operating leverage) but being long Air Canada is akin to a massive bet against the US dollar and the Goodwood Funds are regularly modestly net long US dollars as a result of some of our holdings. We have already begun trimming our exposure/locking in profits in Air Canada and ACE but, given the behavior over the last few months of US airline stocks, there may be much more upside to come.

As always, please feel free to call or email should you have any questions, thoughts or investment ideas.

Respectfully submitted,

Peter Puccetti, CFA
Chairman & Chief Investment Officer
Goodwood Inc.

Cameron MacDonald, CFA
President & Chief Executive Officer
Goodwood Inc.

March 24, 2010

The Goodwood Philosophy

Expectations and Rate of Return: The Goodwood Funds are managed for long term performance not short term volatility mitigation. We expect to have volatility in our results given our relatively concentrated portfolio and given our long term, stock-specific approach. Generally, we do not hedge our long positions. We will have periods of strong performance and periods of weak performance. We hope to average at least 20% per annum which, if it is achieved, will be a mix of good years and bad years. Unitholders should not expect a steady, positive monthly return from us.

Bottom-Up not Top-Down: We pick stocks based on bottom-up, company-specific factors (e.g., valuation, improving industry conditions, strong management, a merger or takeover that will drive meaningful synergies, etc.). We do not pick stocks based on a view of macro-economic factors. We have never provided a market call. We believe that a successful, long-term investment track record is most likely achieved through judicious bottom-up stock selection. It may not be as exciting as making a big, macro-economic market call but it is a repeatable process that we relish and enjoy.

Concentrated positions: We have a focus on finding a few good ideas at a time. With our approach, we typically expect to have five to seven long ideas above a 5% weighting each. The largest of which might be 10% at cost (we have gone above 10% at cost on a handful of occasions). This means our focus is on finding a few great ideas each year. We like that singular focus in that it forces us to search for and allocate capital to only the best ideas.

Activism: Becoming "active' in certain situations dovetails well with our focus on buying undervalued stocks. In other words, on occasion, by being active, we can help the underlying value surface. In almost all of our holdings we regularly voice our opinion on how to maximize shareholder value to management and the Board. In other situations (e.g., situations where we perceive a clear case of poor execution or anti-shareholder behaviour) our activism could involve a proxy fight/nominating an alternative slate of directors.

Longs versus shorts: We have a preference for long ideas over short ideas because (i) we can put more capital to work in long ideas (as long ideas are typically more "comfortable" than short ideas), (ii) our potential returns are greater (the most you can earn in a short position is 100%), (iii) our potential downside is limited to 100% versus infinite with shorts, (iv) equity markets (with some notable exceptions) tend to rise over time and, (v) management and the Board are typically well-motivated and doing their best to improve share values.

Derivatives and leverage: The Goodwood Funds are prohibited from buying or selling options or futures contracts. While we are permitted to go to 200% of equity invested (with the exception of the Goodwood Capital Fund which must remain at 100% of equity or below), we have never done so and, in fact, our leverage utilized in the past has been modest and infrequent. During the majority of the Funds' histories we have been below 100% invested (i.e., market value of longs plus market value of shorts all divided by equity is below 100%) thus we usually have excess cash. The Funds' focus is on picking stocks well rather than leveraging our equity to generate returns.

“Look through” risk versus statistical measures of risk: We do not measure our portfolio risk levels statistically (though some professional investors studying us might). On the long side, we know what our risks are based on a “look through” analysis of the business and financial characteristics of our positions. We only consider large weightings in companies that have healthy balance sheets and/or significant non-core assets. As well, we seek to have a margin of safety arising from our purchase price being well below the likely intrinsic value. On the short side, positions at a 5% weighting or greater are subject to an automatic 15% stop loss. However, the vast majority of the time we have stopped ourselves out of losing short positions before either the 5% or the 15% levels have been reached.

Transparency and Unitholder Reporting: Unitholders who understand what we are doing and how we are going about doing it are good things both for the unitholder and for us (we’re significant unitholders too). Transparency, consistency in reporting and consistency in investment approach are the most effective tools we have to combat the potential backlash of unitholder redemptions during inevitable periods of lackluster performance. Our monthly email update (usually sent out the first business day after the end of the month) and our regularly-updated web site, go a long way towards our goal of keeping unitholders “in the loop”. However, we have one big caveat to the foregoing which is that we reserve the right to not tell our unitholders about an important new position should we still be attempting to acquire stock in that position and if we feel that publicly disclosing our interest will harm our ability to cost-effectively buy stock.

Long Term Focus: We have found, as many funds with long term successful records have, that unitholders who attempt to trade on ups and downs are better off just staying invested for the long haul (like switching lanes during rush hour traffic, the initial euphoria is often followed by further frustration). However, it is worth noting that any drawdown since inception in 1996 has been a precursor to good performance.

Independent Thinking: We enjoy generating our own ideas and performing proprietary research. In situations where we are considering taking a meaningful position in a particular company, our research process will include: visiting that company’s facilities; engaging senior and operating management in discussion about strategy, goals and issues; visiting industry trade shows, speaking with competitors, customers and consultants; speaking with industry analysts and building financial models.

Uncorrelated with the Major Market Indices: Our bottom-up and often “special situation” approach results in our Funds having little resemblance to the major market indices. We believe that, over the long run, this stance positions us well to outperform these benchmarks. Unitholders should understand that any resemblance between our returns and that of an index in a particular period will be mostly by coincidence.

We Eat Our Own Cooking: We are amongst the largest unitholders in our Funds and each year we intend to continue investing further personal capital.

THE GOODWOOD CAPITAL FUND
2009 Annual Report

To the Unitholders of The Goodwood Capital Fund:

For the year ending December 31, 2009, The Goodwood Capital Fund's (the "Capital Fund") net asset value ("NAV") per unit increased **+44.3%.** The S&P/TSX Composite Total Return Index ("TRIN") increased +35.1% in the same period. The S&P 500 Index increased +26.5%.

From December 23, 1999 (commencement of the offering of the Capital Fund) through to December 31, 2009, the Capital Fund has returned **+6.3%** per annum net versus the TRIN's per annum increase of +5.7% and the S&P 500 per annum return of (0.9)%. *

No distributions were paid on December 31, 2009.

The Capital Fund's 2009 audited financial statements are attached for your review.

For a more detailed discussion of Goodwood Inc.'s investment philosophy and information regarding the Capital Fund's core holdings, please refer to the Annual Management Report of Fund Performance available on SEDAR (www.sedar.com) and the Annual Report of The Goodwood Funds enclosed.

Please feel free to call if you have any questions, thoughts or comments.

Respectfully submitted,

Peter Puccetti, CFA
Chairman & Chief Investment Officer
Goodwood Inc.

Cameron MacDonald, CFA
President & Chief Executive Officer
Goodwood Inc.

March 24, 2010

* Designated Benchmarks:

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 500 Index measures the total return of the broader U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries and assumes reinvestment of dividends.

Note that the indicated rates of return are the historical total returns over the periods noted, including changes in unit value and reinvestment of all distributions. These indicated rates of return do not take into account any redemption charges that may have been payable by redeeming unitholders, which would have reduced the returns of redeeming unitholders in certain circumstances. Please refer to the Prospectus for details concerning the redemption fee schedule of the Fund and other important information. In addition, note that performance data represents past performance and is not necessarily indicative of future performance.

Advisory Board

Mr. Robert Curl, CA
Mr. Cameron MacDonald, CFA
Mr. Peter Puccetti, CFA

	Goodwood Fund	**Goodwood Capital Fund**
FundSERV Code:	GWD022	GWD001
Valuation / Liquidity	Weekly	Weekly
Fund Type:	North American Long/Short Fund	North American Equity Fund
Launch Date:	October, 1996	December, 1999
RRSP Eligible:	Yes	Yes
Custodian:	NBCN Inc.	NBCN Inc.
Fund Accounting:	Citigroup Fund Services Canada	Citigroup Fund Services Canada
Auditor:	KPMG, LLP	Schwartz Levitsky Feldman, LLP
Trustee:	Computershare Trust Co.	Computershare Trust Co.
Legal Counsel:	Borden Ladner Gervais, LLP	Borden Ladner Gervais, LLP

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