GOODWOOD INC.

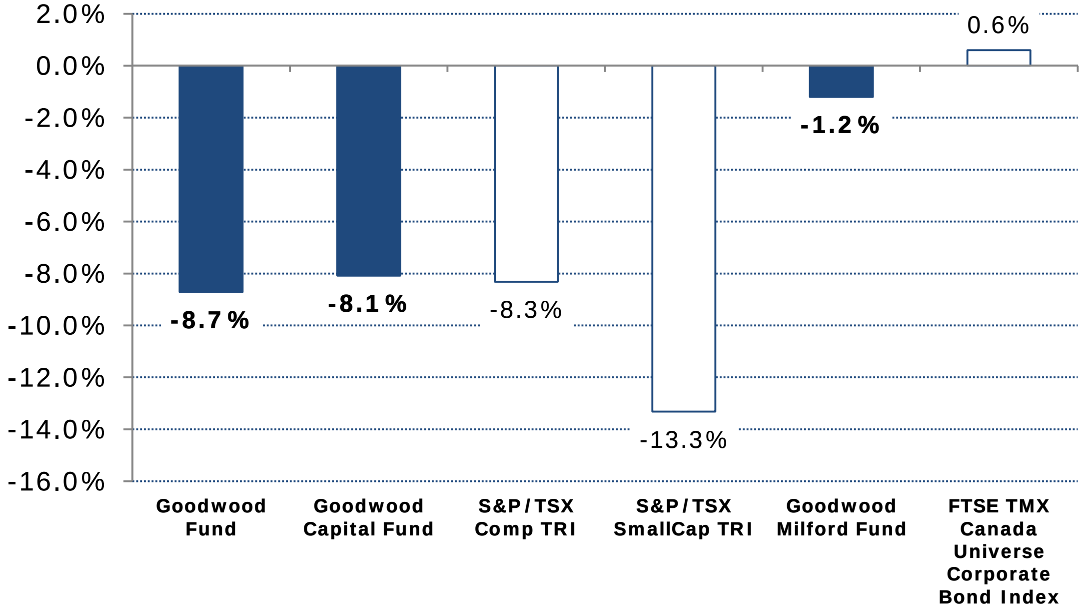
THE

GOODWOOD

FUNDS

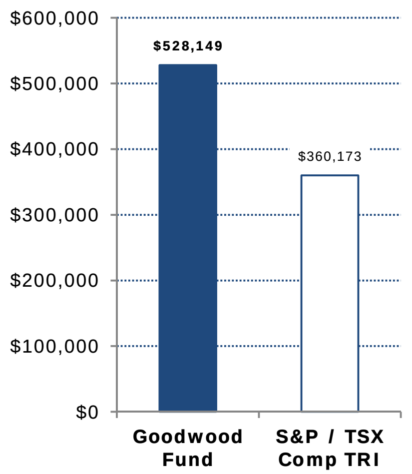
2015 Annual Report
Twentieth Edition

2015 Performance
(net of fees)

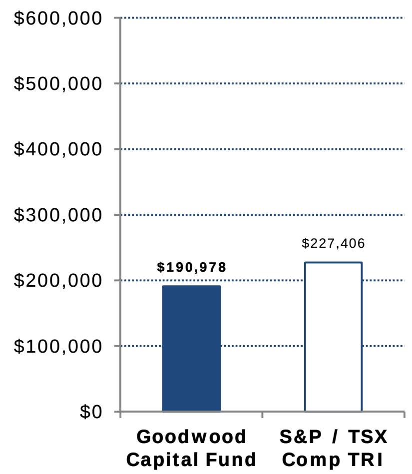


Long-Term Performance
Value of $100,000 invested since inception of Fund to December 31, 2015

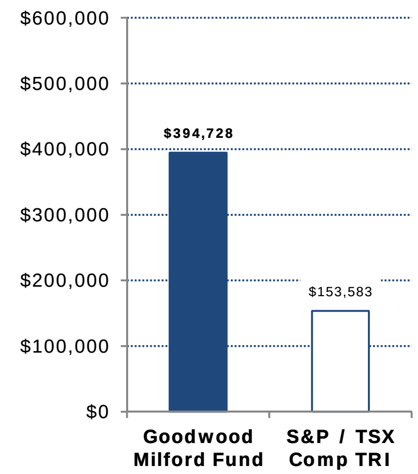
Goodwood Fund



Goodwood Capital Fund



Goodwood Milford Fund



	Goodwood Fund	Goodwood Capital Fund	Goodwood Milford Fund
CAGR:	9.1%	4.1%	14.7%
Inception:	October 26, 1996	December 23, 1999	January 1, 2006
Description:	Goodwood Fund is a long/short fundamental value oriented fund that uses a bottom-up, company specific approach to long-term investing.	Goodwood Capital Fund is a long-only fundamental value oriented mutual fund that uses a bottom-up, company specific approach to long-term investing.	Goodwood Milford Fund uses a fundamental bottom-up, company specific focus with a strategy of combining higher yielding corporate bonds and long/short equity positions.
FundSERV:	Class B – GWD022 Class F – GWD222	GWD001	Class A – GWD020 (Q2'16) Class F – GWD216 (Q2'16)

Source: Goodwood Inc., Bloomberg, BMO Capital Markets. Past performance may not be repeated. Performance data from certain S&P/TSX Composite TR Index, S&P/TSX SmallCap TR Index and FTSE TMX Canada Universe Corporate Bond Index are provided in this report for information purposes only. See annual report enclosed for full disclosure details.

GOODWOOD INC.
2015 Annual Letter

I am pleased to submit the 20th edition of the Goodwood Annual Report and I would like to thank our unitholders for their continued support and confidence.

Despite a strong start to 2015, the year was disappointing for the unitholders of the Goodwood Funds. While we recognize the Funds' annual results are not in keeping with our past successes, we are confident in the Funds' year-end holdings and continue to believe the portfolios will outperform market returns over the next business cycle. Each Fund is a concentrated portfolio of undervalued, high quality businesses with significant capital upside and/or cash flow generation potential (please read Peter and Chris' investment commentary which follow for specific details).

During 2015, the Goodwood Fund returned -8.71% to unitholders, while the Goodwood Capital Fund returned -8.08% and the Goodwood Milford Fund returned -1.20%. In comparison, the S&P/TSX Composite TR Index declined by -8.32% and the S&P /TSX SmallCap TR Index declined by -13.31%. Indeed, 2015 was a difficult environment for value-based strategies within the small-to-mid-cap Canadian market. However, we remain certain of our belief that over time, value investing will continue to deliver superior results. Investing in financially strong companies that are trading below intrinsic, replacement or liquidation value provides a margin of safety with downside protection.

Misery loves company so; we note with interest the extent to which other better-known, highly-regarded value investors were down in 2015 and their respective since inception returns:

Investment Returns in 2015 and Since Inception

	2015	Since Inception
Longleaf Partner's Fund	-18.8%	10.8% (1987)
Greenlight Capital	-20.2%	16.5% (1996)
Pershing Square	-20.5%	17.1% (2004)

The important takeaway is that these value-based managers didn't forget how to be successful investors. It reminds us that their value-based strategies are not immune to a negative environment and that they too will experience periods of lackluster performance. However, over the long-term, these investors have been able to outperform the market by remarkable measures. It is also important to note, that since inception, these strategies resulted in return profiles that are non-correlated to the broader market. The same can be said of the Goodwood Funds.

Market Correlations in 2015 and Since Inception

	2015	Since Inception
Goodwood Fund	0.48	0.55 (1996)
Goodwood Capital Fund	0.58	0.74 (1999)
Goodwood Milford Fund	-0.07	0.60 (2006)

The correlations tell unitholders how closely active management returns are related to the broader market. The statistic is positive when returns move in the same direction, up or down. The coefficient is negative when returns move in opposite directions. This indicator can help unitholders diversify risk by identifying portfolio managers with a low or negative correlation to the stock market.

Most of our unitholders know that we do not hold ourselves out as being stock market seers. In fact, we try hard to avoid letting our macroeconomic assessment cloud our one-company-at-a-time investment process. Nonetheless, the current level of skepticism in the small-and-mid-cap market have us reworking our long investment ideas and in some cases, deploying additional capital into the Funds' core holdings. Our expectation is that the share price retracements in the companies we own is temporary based on the performance of the underlying businesses and the corporate development activities. As a result, we believe the Goodwood Funds will continue to outperform the market over the medium-and-long-term.

Annualized (net of all fees) Return Since Inception

	S&P/TSX Composite TRI	Fund
Goodwood Fund	6.71%	9.06% (1996)
Goodwood Capital Fund	5.30%	4.12% (1999)
Goodwood Milford Fund	4.38%	14.71% (2006)

Some noteworthy highlights - last October, we announced that the Goodwood Milford Fund received the second place award at the 2015 Canadian Hedge Fund of the Year Awards. The Goodwood Milford Fund received the award in the category of the Best 5-Year Sharpe Ratio. The Sharpe Ratio is the industry standard measurement for calculating risk-adjusted returns. In 2014, the Fund won in the category of Best 5-year Annualized Return and in 2012 won in the category of Best 3-Year Annualized Return.

Turning to operations - as a reminder, we publish a monthly update within the first few days of each month. The goal of our regular correspondence is to communicate to unitholders the performance results of our Funds. We subscribe to the notion that it is in the collective interest of the Funds to have unitholders better understand the companies the Funds' hold and the rationale for these investments. If you are not receiving our monthly email and would like to, please call or email directly.

Finally, while we have no ability to forecast the Funds' future rates-of-return or its expected date-of-arrival; we are comforted by the quality of the investments held within the various portfolios. We believe the Funds are well positioned in quality businesses at valuations rarely seen. Our collective investment should serve us well going forward.

Respectfully submitted,

Curt Cumming
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March 30, 2016

GOODWOOD FUND
2015 Annual Report

To the Unitholders of the Goodwood Fund:

For the year ending December 31, 2015, the Goodwood Fund's (the "Fund") net asset value ("NAV") per Class "A" units and Class "B" units both decreased by **-8.7%** while the NAV per Class "F" units decreased by **–7.7%**. The S&P/TSX Composite Total Return Index ("TSX") decreased by -8.3% and the S&P/TSX SmallCap Total Return Index decreased by -13.3% in the same period.

From October 31, 1996 (commencement of the offering of the Fund) through to December 31, 2015, the Fund has returned **+9.1%** per annum net (after all fees) versus the TSX's per annum return of 6.9%.[*]

No distributions were paid on December 31, 2015.

The Fund's 2015 audited financial statements are attached for your review.

During 2015 (based on month end figures), the Fund averaged a **89.5%** 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 **113.8%** invested, composed of **94.0%** long and **19.8%** short, leaving a "net market exposure" (i.e., longs minus shorts as a percentage of the Fund's equity) of **74.2%**. At the other extreme, the Fund was **75.6%** invested, or **71.0%** long and **4.6%** short for a net market exposure of **66.4%**.

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

[*] The indicated rates of return are the historical total returns over the periods noted, including changes in unit value and reinvestment of all distributions. Performance returns in this report are calculated for the founding Class of Units for each respective Fund. These indicated rates of return are net of all management fees, expenses and performance incentive fees and 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 or Prospectus 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. Performance data from certain market indices (S&P/TSX Composite Index, S&P/TSX SmallCap TR Index and FTSE TMX Canada Universe Corporate Bond Index) are provided in this presentation for information purposes only. A comparison of the Funds' performance to such market indices is of limited use because the composition of the Funds' portfolio may contain other securities not found in the market index. As a result, no market indices are directly comparable to the results of the Funds and are displayed for comparison purposes to the broad market. ***The Annual Reports are not recommendations or research but rather commentaries of the Goodwood funds' holdings.***

Position Comments

Below follows a review of some of our long positions so that our co-investors can understand why we feel we have an opportunity to substantially outperform the broad market. Last year's mid-year surge in our valuation much above the then performance of the TSX at that time (based on month end figures, at one point we were 16% ahead of the index on the then year-to-date basis), we believe points to the outperformance potential of our holdings in the Funds despite their subsequent pullback in the back half of the year.

Merus Labs International Inc. ("Merus") Common Stock

Merus is a specialty pharmaceutical company focused on acquiring and optimizing underdeveloped products. Merus now owns 12 products represented in 34 countries and is dealing with over 1 million patients. These products include: Vancocin, an antibiotic acquired in 2011 and represented by Merus only in Canada; Enablex, an overactive bladder treatment acquired in 2012 and represented by Merus in 17 countries; Sintrom, an anticoagulant acquired in 2014 and represented by Merus in 16 European countries; Salagen, for the treatment of dry mouth, acquired in 2015 and represented by Merus in 17 countries; Estraderm, a hormone replacement patch product acquired in 2015 and represented by Merus in 5 countries; Elantan/Isoket/Deponit (the "UCB acquisition"), all nitrate pharmaceuticals used to treat both acute and chronic coronary artery disease - these were acquired in February of this year and Merus will continue selling them in 20 European countries plus Mexico, Turkey and South Korea and will look to launch in certain new markets as well as expand formulations in existing markets, and; Surgestone/Provames (used in a variety of women's health indications)/Speciafoldine (for treatment of macrocytic anemia)/Tredemine (a World Health Organization recognized essential medicine for the treatment of tapeworm) - the rights for Merus to represent these products in France all acquired last month from the large French pharmaceutical, Sanofi S.A. (it is hoped and expected that this is the beginning of a fruitful new relationship for Merus to potentially acquire additional products as Sanofi looks to focus on a smaller number of larger products ... a theme that is prevalent throughout large pharma and which is a central tenant to the investment case for specialty pharma companies).

Merus paid 92 million Euros for the UCB acquisition or 2.7 times the last 12 months net revenue of 34 million Euros. At the then Euro/Canadian exchange rate, the UCB acquisition is expected to generate circa $22 million in annual EBITDA which represented an approximate 70% increase to Merus' then EBITDA run rate. Most of the acquisition price was funded via a 4.5% per annum interest rate Euro-denominated loan composed of a $10 million senior secured revolver and a $170 million senior secured term loan. This acquisition took Merus' guidance for fiscal 2016 EBITDA (the Company has a September fiscal year end) to a range of $43 million to $46 million. And, within weeks Merus announced the acquisition of the Sanofi products for a one-time payment of 22.5 million Euros. This compares to expected net revenue for these products in fiscal 2016 of 6.3 million Euros and an expected run rate EBITDA at current exchange rates of $5.6 million. Two thirds of the Sanofi transaction was funded with equity issued at $1.90 per share and one third funded by the Euro-denominated loans initiated for the UCB acquisition. Immediately post the Sanofi acquisition Merus' net debt to EBITDA leverage calculation was approximately 2.8X and the new fiscal 2016 EBITDA guidance became a range of $47 million to $50 million.

We think highly of the new CEO, Barry Fishman, and we believe he is focused on acquiring products accretively. Barry, his management team and the improved Board have a lot of free cash flow to work with now and so, from an investment point of view, our results as shareholders will depend critically on how that free cash flow is deployed. First priority is on reducing leverage. We estimate Merus free cash flow is now running at approximately $50 million per annum which will allow in 2 years for net leverage to drop to just $60 million or less than 1X fiscal 2017 expected EBITDA. It is however quite possible that, should new acquisition opportunities arise that are complimentary to Merus' target markets, this contemplated debt reduction path could be altered in favour of further growth in EBITDA (but this might necessitate further equity issuances). Interestingly, the Company recently raised its fiscal 2019 EBITDA goal to $120 million up from $100 million previously.

Holding back Merus' stock valuation are a number of factors including the recent collapse in Valeant Pharmaceuticals International Inc. and less dramatically, Concordia Healthcare Corp., both of which have been heretofore high-flying stocks, have greater than 5X net debt/EBITDA and have US regulatory exposure (Merus has no US exposure). Other factors include: Merus' lesser scale/small cap status and the ever-present legitimate concern across the whole industry of organic declines in product sales and EBITDA (in other words, fears of overpaying for product acquisitions). Overall, we believe that Merus' lack of US exposure, recent heightened acquisition activity, greater than 20% free cash flow yield and consequent significant deleveraging capability will conspire to give us an opportunity to resume selling stock in the Funds at much higher share prices (we had begun selling the Merus position last summer above $3 per share).

Great Canadian Gaming Corporation ("Great Canadian") Common Stock

Great Canadian operates gaming, entertainment and hospitality facilities in British Columbia, Ontario, New Brunswick, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of three community gaming centres, four racetracks, and ten casinos, including two with a Four Diamond resort hotel. As of December 31, 2015, the Company had approximately 4,400 employees in Canada and 500 in Washington State. On January 11, 2016, the Company acquired two additional casinos in Ontario from the Ontario Lottery & Gaming Corporation ("OLG") which employed approximately 600 employees at the time of acquisition.

Similar to Merus, we were selling our Great Canadian position last summer when the stock was trading in the mid $20's. But, having dropped sharply since then we began re-accumulating stock as we believe the market is undervaluing Great Canadian's impressive mix of growth opportunities, franchise value (proverbial "business moat") and substantial, stable free cash flow generation. Essentially the Company has difficulty staying levered as the businesses produce such large amounts of cash flow relative to sustaining capital expenditure requirements. For fiscal 2016 and 2017 (Great Canadian has a December 31st fiscal year end) we expect approximately $195 million and $210 million respectively in EBITDA and free cash flow approaching $105 million and $125 million in each of those years (to be clear this is free cash flow before consideration of capital needs for potential growth opportunities, acquisitions and/or share buybacks/dividends). Compare these figures to December 31, 2015 total debt of $443 million and cash of $207.5 million for net debt of $235.5 million. Ignoring for the moment the potential for growth projects capital expenditures, share buybacks, etc., net debt will drop to just $130.5 million by the end of 2016 or just 0.62X fiscal 2017 expected EBITDA.

Further, a recent review of US comparable gaming stock valuations and operating statistics shows that Great Canadian stock is cheaper, at 6.8X 2016 estimated EV/EBITDA and circa 9% (2016) and 11% (2017) free cash flow yield on equity, has much less leverage and produces appreciably higher return on invested capital. This is truly an impressive collection of businesses that tend also to be recession-resistant. We are fairly certain that, were it not for the large insider ownership position (as we've said before, at the very least in a Canadian context, the amount of insider buying over the years coupled with share buybacks has been remarkable) and the less-than-straight-forward ownership regulations applied by gaming regulators, Great Canadian probably would have been the recipient of a takeover offer.

So, what to do with the free cash flow? We expect the following uses (all while maintaining a conservative balance sheet): invest in the recently-won new Ontario gaming bundles (more on that below); explore opportunities for further accretive acquisitions (a la Company's $97.1 million acquisition of Casino New Brunswick in October of 2015); and, to continue the history of appreciable share buybacks. On this final use, share buybacks, readers should note that once again, last year, Great Canadian was voracious in its share buyback program having purchased and cancelled 2,287,225 shares at an average of $16.16 per share under the normal course issuer bid that expired on February 25, 2016. And, pursuant to an exemption order under Multilateral Instrument 62-104 ("Take-Over Bids and Issuer Bids") the Company purchased and cancelled 3,400,000 shares for $77.7 million or $22.8545 per share. Thus, in total during this period Great Canadian bought back and cancelled approximately 5.7 million shares leaving the Company with 64.4 million shares outstanding as at March 2, 2016. Further, on March 9, 2016 the Company press-released that it will renew its normal course issuer bid this time for up to 5.3 million shares or approximately 10% of the public float. If fully-executed this would consume about $100 million in cash which we would applaud so long as the price per share paid is roughly in-line or below the current share price. Importantly, we do not believe such a continued high level of share buyback activity would in any way hamper Great Canadian's ability to build out its Ontario opportunities (see below) though, we think an acquisition opportunity, depending on size, might cause restraint in the share buyback program. We have much confidence in management and the Board's ability to intelligently deploy capital while maintaining a conservative financial posture.

The Ontario opportunity continues to develop positively for Great Canadian. As we have been asked many times about the details and as there are a lot of moving parts in respect of the Ontario opportunity, we have decided to reproduce below the relevant sections from Great Canadian's 2015 Annual Information Form (expressed in millions of Canadian dollars, except for per share information). For those of you who would rather skip the below, suffice it to say that the opportunity is large and near-at-hand. [Acronym definitions: OLG - Ontario Lottery and Gaming Corporation; OGELP - Ontario Gaming East Limited Partnership; PSAC - Public Service Alliance of Canada; RFI - Request for Information; RFPQ - Request for Pre-Qualifications; COSA - Casino Operational Services Agreement, and; AGCO - Alcohol and Gaming Commission of Ontario.

Ontario

As a result of the efforts to modernize the gaming model in Ontario, the gaming industry in that province is undergoing significant changes which will affect the Company’s operations, as *described in the "OLG's Modernization Plans" section below. As at December 31, 2015, the Company owned two racetracks in Ontario, Flamboro Downs and Georgian Downs, each of which hosts slot machines owned and operated by OLG, the provincial Crown corporation which conducts and manages gaming in Ontario. The Company's Ontario properties generated revenues of $25.4 for the year ended December 31, 2015, representing 6% of consolidated revenues for that period. For the year ended December 31, 2014, the Company's Ontario properties generated revenues of $25.1, representing 6% of consolidated revenues for that period. On January 11, 2016, OGELP completed the previously announced acquisition of OLG Casino Thousand Islands and OLG Slots at Kawartha Downs as a part of OLG's Modernization Plan. Please refer to the "Business of the Company – Ontario – Description of Gaming Facilities in Ontario" and "Business of the Company – Ontario – Ontario's Gaming Modernization Plans" sections of this AIF for further discussion of the properties and the details of their acquisition.*

Description of Gaming Facilities in Ontario

Ontario Lease Agreements. On November 29, 2013, the Company signed definitive 5-year lease agreements for the OLG to lease space relating to the slot machine areas at the Company's Ontario Racetracks with effect from April 1, 2013. Between April 1, 2013 and November 29, 2013, the Company and OLG were operating under interim occupancy arrangements.

Flamboro Downs. Flamboro Downs features live standardbred racing nine months of the year (131 live race days in 2015, 2014 - 143) on a 1/2 mile track. The slot facility at the racetrack offers 800 slot machines that are owned and operated by OLG as at December 31, 2015 and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available adjacent to the property. Flamboro Downs has a 66,000 square foot grandstand and an 80,000 square foot slot facility leased by OLG, which are located on a 230 acre site. Flamboro Downs is in the community of Flamborough, which is located approximately 82 kilometres west of Toronto and 16 kilometres west of Hamilton. A collective agreement between Flamboro Downs and SEIU, Local 2, with a term covering January 1, 2015 through December 31, 2016, is applicable to Company employees of Flamboro Downs.

Georgian Downs. Georgian Downs features live standardbred racing three months of the year (39 live race days in 2015, 2014 - 40) on a 5/8 mile track. The slot facility at the racetrack offers 1,000 slot machines that are owned and operated by OLG as of December 31, 2015 and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and simulcast of national and international horse racing at an on-site Racebook. Surface parking is available adjacent to the property. Georgian Downs has an approximately 35,000 square foot grandstand facility and an 87,000 square foot slot facility leased by OLG, which are located on a 76 acre site. In addition, the Company owns 70 acres of vacant adjacent land. Georgian Downs is in the township of Innisfil, which is located approximately 80 kilometres north of Toronto near an off-ramp off a major highway. A collective agreement between Georgian Downs and PSAC, Local 00500, with a term covering September 18, 2013 through September 17, 2015, is applicable to Company employees of Georgian Downs. Notice to commence collective bargaining was served and received on August 28, 2015 and negotiations *commenced on October 27, 2015. A tentative new collective agreement with a term covering to December 31, 2017 has been reached but remains subject to union-member ratification.*

Ontario's Gaming Modernization Plans

In May 2012, OLG issued a RFI to obtain input from potential industry participants regarding the modernization of gaming in Ontario. OLG stated that as a result of the feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG has grouped all of the 28 Gaming Zones into a maximum of nine Gaming Bundles in the Province of Ontario, of which 25 Gaming Zones have been grouped into the seven Gaming Bundles, five of which are currently undergoing a procurement process for the modernization of land-based gaming (after OLG's announcement of the cancellation of the RFPQ for the Ottawa Area Gaming Bundle on December 21, 2015), with each bundle representing a separate bidding opportunity. Potential relocation of the existing Gaming Sites in Gaming Zones to other locations within such Gaming Zones are subject to municipal, OLG and Ontario Government approvals. In November 2012, OLG initiated the RFPQ process to pre-qualify service providers to participate in the request for proposals processes for these Gaming Bundles.

The Company is actively pursuing opportunities that arise from the modernization of gaming in Ontario. To that end, the Company, alone and with proposed partners, has submitted several RFPQs to OLG. As described below, the Company was successfully selected to acquire and operate the East Gaming Bundle, the first gaming bundle offered by the OLG. That acquisition was completed on January 11, 2016.

On September 9, 2015, the Company announced that OGELP, a partnership in which the Company owned a 50.1% interest, was selected as the successful proponent by OLG to operate casinos in OLG's Gaming Bundle 2 (East) (the "East Gaming Bundle") and OGELP signed a business transition and asset purchase agreement with OLG on September 8, 2015.

Subsequent to December 31, 2015, the Company increased its ownership percentage in OGELP to 90.5% and signed a 20-year COSA with OLG on January 11, 2016. Under these agreements, OGELP acquired certain of OLG's gaming assets in the East Gaming Bundle, including OLG Casino Thousand Islands, the slot operations within leased space at Kawartha Downs near the City of Peterborough and a new build opportunity to service the City of Belleville and the municipality of Quinte West. The purchase price for such assets was $51.3 of cash consideration, including working capital of approximately $12.3 and applicable taxes arising from the transaction. Upon such acquisition, the Company rebranded the Kawartha Downs facility and Casino Thousand Islands to Shorelines Slots at Kawartha Downs and Shorelines Casino Thousand Islands, respectively, and expects to launch the new Belleville facility under the same Shorelines brand. Please refer to the "Description of Gaming Facilities in Ontario" section of this AIF for additional discussion of these properties.

On completion of the acquisition from OLG on January 11, 2016, OGELP had approximately $32.0 in partner capital contributions and a $60.0 revolving credit facility arranged on a non-recourse basis to Great Canadian and the minority partner's parent company. The acquisition was funded with $16.3 of cash from partners' capital and $35.0 of debt borrowed on the *revolving credit facility. OGELP also issued a $15.0 letter of credit to OLG to secure performance under the COSA, which further reduced the available borrowing capacity on OGELP's revolving credit facility.*

The Company will manage the property developments and operations of OGELP through a development services agreement and a management services agreement. The Company will earn associated fees for providing these services.

While OGELP is responsible for the day-to-day gaming operations in the East Gaming Bundle, OLG will continue to:

- *conduct and manage gaming and lottery schemes in the bundle*
- *require compliance with applicable regulations set out by the AGCO*
- *be the owner of key player information*
- *uphold the standards of its Responsible Gambling program through the service provider, including the self-exclusion program*
- *distribute Municipality Contribution Agreement payments to host communities OGELP is required to follow all applicable laws, as well as OLG and AGCO regulations and rigorous Responsible Gambling standards.*

The Company's OGELP subsidiary has commenced a comprehensive development plan for the East Gaming Bundle, including a new full service casino and entertainment facility located in Belleville, Ontario to service that city and the surrounding area including the neighboring municipality of Quinte West. The estimated total cost of this development, including the related land, gaming equipment and construction, is up to $41.0 and is targeted to reach completion by the end of the first quarter of 2017. OGELP expects to spend up to $49.0 by the end of the third quarter of 2017 on a development to either replace the gaming facility at Kawartha Downs with a new facility at a new location or to redevelop the existing site. OGELP expects to spend up to $13.0 by the end of the first quarter of 2018 for the renovation of Shorelines Casino Thousand Islands. In addition to the cash from initial partner capital contributions remaining subsequent to the acquisition and the last $10.0 of liquidity under OGELP's revolving credit facility, as well as cash generated by the acquired operations, the partners expect to increase their capital contributions as OGELP completes its development plans at each of its East Gaming Bundle properties.

The Company has been notified by OLG during the fourth quarter of 2015 that it is pre-qualified to submit a Request for Proposal for two more of its RFPQ submissions - Gaming Bundle 4 (Southwest) (the "Southwest Gaming Bundle") and Gaming Bundle 5 (GTA) (the "Greater Toronto Area Gaming Bundle").

The Southwest Gaming Bundle includes six gaming zones covering the following municipalities: Zone SW3 – City of Woodstock and Oxford County, currently serviced by OLG Slots at Woodstock Raceway; Zone SW4 – City of London and surrounding areas, currently serviced by OLG Slots at Western Fair District; Zone SW5 – Huron County, currently serviced by OLG Slots at Clinton Raceway; Zone SW6 – Chatham-Kent, currently serviced by OLG Slots at Dresden Raceway; Zone SW7 – Bruce County and Grey County, currently serviced by OLG Slots at

Hanover Raceway; and Zone SW8 – Point Edward and Sarnia, currently serviced by OLG Casino Point Edward.

The Greater Toronto Area Gaming Bundle is comprised of two gaming zones that cover the following areas: Zone C2 – the Rexdale area located west of the City of Toronto, currently serviced by OLG Slots at Woodbine Racetrack and Zone C3 – Ajax, Pickering and Whitby and surrounding areas, currently serviced by OLG Slots at Ajax Downs. The RFP for the Greater Toronto Area Gaming Bundle considers a future potential opportunity, being, following a consultation process, the possible addition to the Greater Toronto Area Gaming Bundle of Zone C8 – Territory of Mississaugas of Scugog Island First Nation, currently serviced by Great Blue Heron Charity Casino. Second, a right of first opportunity for a new greenfield build to better service the Greater Toronto Area – subject to the appropriate government approvals and OLG's ability to secure a willing host municipality.

The Company is currently evaluating these RFP opportunities to determine its plans to bid on these gaming bundles with partners. For the Southwest Gaming Bundle, the Company intends to be the 24 majority partner. For the Greater Toronto Area Gaming Bundle, the Company will be an equity partner. For both of these gaming bundles, in the event it is selected by OLG as the service provider, the Company expects to enter into management and development services agreements with its respective partners to oversee the property development activities and operations of each Gaming Zone. OLG stated that it expects to announce a successful proponent for the Southwest Gaming Bundle by Winter 2016/2017 and for the Greater Toronto Area Gaming Bundle by late summer 2017. It is not certain at this time whether the Company or any proponent team of which it is a member will be selected to participate in additional gaming bundle proposals or whether it will be a successful bidder on any other gaming bundles.

Gaming Facilities in Ontario acquired subsequent to December 31, 2015

Please refer to the "Ontario's Gaming Modernization Plans" section of this AIF for additional details of the acquisition of these properties by OGELP.

Shorelines Casino Thousand Islands (formerly OLG Casino Thousand Islands)

Shorelines Casino Thousand Islands, which was acquired from OLG on January 11, 2016, is a 57,000 square foot casino located in Gananoque, Ontario. On January 11, 2016, the facility housed 482 slot machines and 22 gaming tables. This property also features a food and beverage venue and is licensed to serve liquor throughout the casino. Surface parking is available on the property. The casino operates from 19 to 24 hours per day. A collective agreement is in place with Teamsters, local 91, with a term covering November 1, 2014 through October 31, 2017. The agreement covers all hourly Security Officers at Shorelines Casino Thousand Islands.

Shorelines Slots at Kawartha Downs (formerly OLG Slots at Kawartha Downs)

Shorelines Slots at Kawartha Downs, which was acquired from OLG on January 11, 2016, offers 38,000 square feet of gaming space on a leased property located in Fraserville, Ontario as a part of Kawartha Downs and Speedway, which features live standardbred racing on a 5/8 mile *track and a 3/8 mile paved oval speedway located inside of the horse racing track. On January 11, 2015, the property housed 454 slot machines. Food and beverage is offered on the property through a food and beverage services agreement and surface parking is available on the adjacent grounds. The slots facility operates 24 hours per day. A collective agreement is in place with Service Employees International Union (SEIU), local 2 with a term covering May 16, 2014 through May 15, 2017. The agreement covers all hourly non-supervisory employees at Shorelines Slots at Kawartha Downs except those in the Security and Surveillance departments.*

Shorelines Casino Belleville (currently under development)

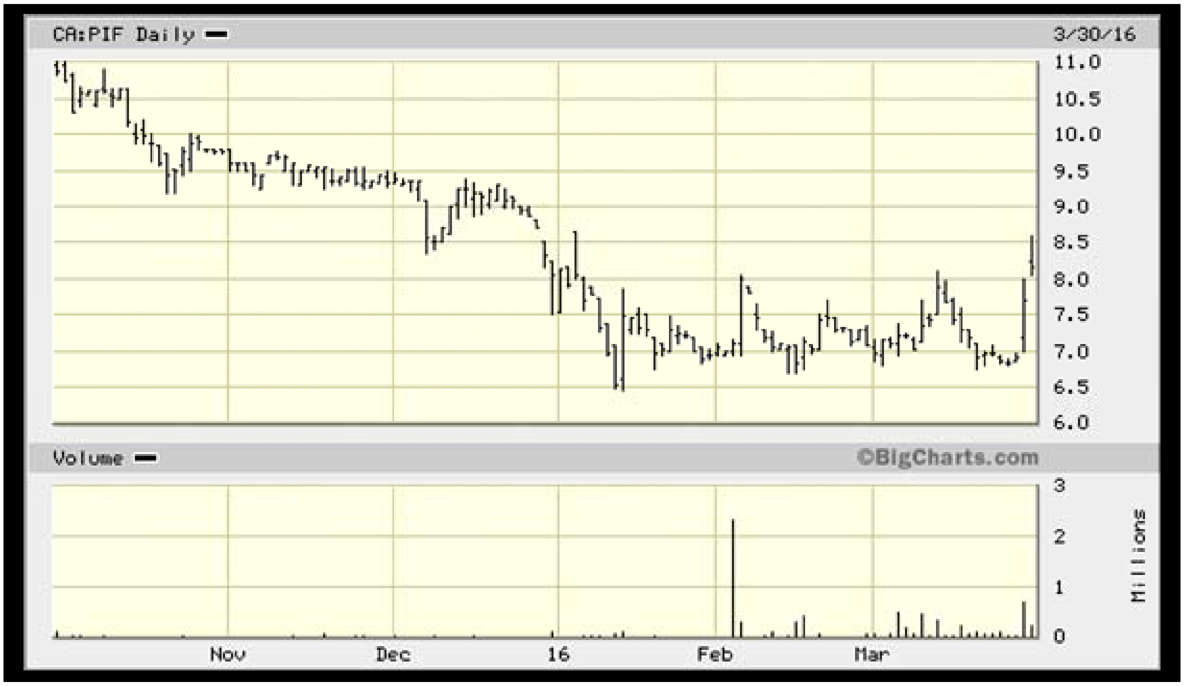
Subsequent to December 31, 2015, the Company's OGELP subsidiary acquired land for $2.9 in Belleville, Ontario as a part of its comprehensive development plan for the East Gaming Bundle, to service that city and the surrounding area including the neighboring municipality of Quinte West. The estimated total cost of this development, including the related land, gaming equipment and construction, is up to $41.0 and is targeted to reach completion by the end of the first quarter of 2017. Please refer to the "Ontario's Gaming Modernization Plans" section of this AIF for further discussion.

Operating Agreements with OLG

As mentioned under the "Ontario's Gaming Modernization Plans" section of this AIF, OGELP signed a 20- year COSA with OLG on January 11, 2016 to operate the casinos in the East Gaming Bundle, which is also renewable at OLG's option for additional consecutive terms of 10 years each. Under the COSA, OGELP will provide OLG with a pre-established, guaranteed annual gaming revenue threshold amount plus 30% of gross gaming revenue, as defined in the COSA, above the pre-established gaming revenue threshold for each year. OGELP will receive an annual service provider fee comprised of (i) a guaranteed 25 base fixed fee component (which will be approximately $15 per year before the proposed Belleville facility is opened and operational, increasing to $24 per year thereafter, adjusted for inflation annually), (ii) a variable component equal to 70% of gross gaming revenue, as defined in the COSA, above the applicable pre-established annual gaming revenue threshold retained by OLG, and (iii) a fixed amount for permitted capital expenditures. The Partnership will also retain all non-gaming revenues generated by the facilities including those from food and beverage and entertainment offerings.

For Great Canadian, the net effect of all this activity in Ontario is both near term growth via the already-acquired Ontario East gaming bundle and optionality (i.e., potentially significant further growth) via the Ontario Southwest and Greater Toronto Area gaming bundles.

Polaris Infrastructure Corporation ("Polaris") Common Stock



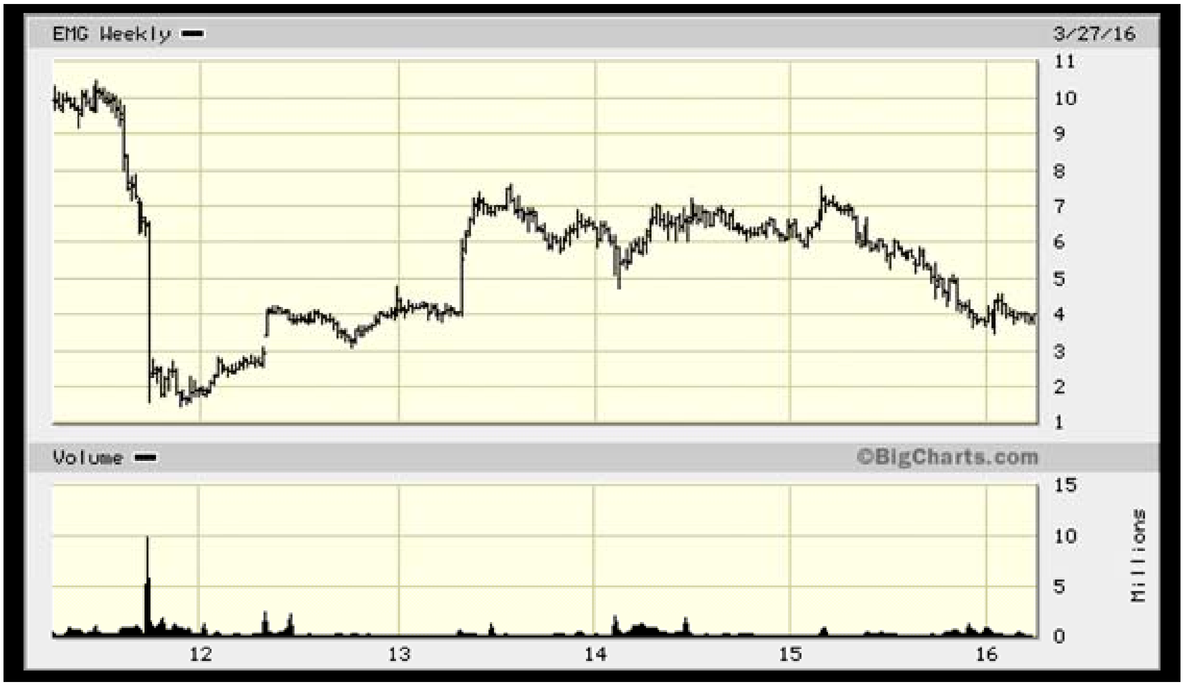
Most readers will probably recall our significant involvement in the recapitalization and refinancing of the former Ram Power Corporation ("Ram") into the new Polaris last year. Our activities in this regard with our partner, Marc Murnaghan, the new CEO of Polaris (he did the heavy-lifting!), resulted in a clean "Holdco" balance sheet (no debt and excess cash), a much improved project debt load and the ability to begin returning capital back to the Holdco from the project (and tax free for many years to come). We believe this sets the stage for a significant stream of future dividend payments and are pleased that the Board recently authorized an initial dividend of US$0.10 payable May 30, 2016 for shareholders of record at the close of business on May 24, 2016 in respect of the quarter ending March 31, 2016. Having just organized and attended another due diligence visit down to Nicaragua last month we are encouraged both by the positive country investment climate (some would say it is better than Canada!) and by the ongoing execution at the plant level (and once again the obvious professionalism of the senior plant staff was on display during our visit).

A quick recap of Polaris follows: San Jacinto geothermal electricity power plant operating outside Managua, the capital of Nicaragua (Polaris also owns the bulk of another pre-production geothermal project in Nicaragua, the Casita Project, which would be larger than San Jacinto but is still some distance from being developed); plant completed in January 2013 at a total cost (including drilling) of US$421 million; producing approximately 50 Megawatts ("MW") net (55 MW gross i.e., pre-"parasitic load") currently; above ground turbine capacity and power purchase agreement ("PPA") of 72 MW; PPA is denominated in US$'s and goes to 2029 (US$115 per megawatt hour in 2015 with 3% per annum price escalator for 8 years thereafter 1.5% per annum to 2029); current annual EBITDA at plant level approximately US$41 million, and; drilling program to increase capacity of plant commenced in October 2015.

The new drilling program is expected to bring on an additional 3 wells and it is hoped that an additional 15 MW will be added to the current production as a result of the new wells (also, importantly, reinjection well capacity will be increased which is necessary). As every additional MW results in roughly an additional US$1 million of free cash flow to Polaris, the financial impact of the new wells could be very material. Also, Polaris will soon be in a position to provide specifications for a binary unit. A binary unit takes the water that is to be returned back underground and runs it through an additional turbine to collect additional MW's of power output with no drilling risk. Depending on a number of technical variables, Polaris' binary unit may be able to add 6 to 8 MW at a cost of circa US$30 million and is expected to be financeable as to 2/3 within the scope of the existing World Bank project debt structure. It is important for readers to understand the variability in well output. Of the existing 8 production wells, the smallest is producing 2 MW while the largest is producing 14 MW so quite a variation is possible in the drilling program. The first new well, while still being tested, appears to be in the vicinity of 4 MW, not great but not bad either as this would still produce a solid return on the costs of drilling the well. It is too early to yet know the results of the second new well.

While the initial dividend announcement points to an annual rate of US$0.40 per share (roughly C$0.52) or about a 6.6% dividend yield, this is a dividend level that does not yet take into account the additional cash flows that may result from the new drilling program and/or the future installation of a binary unit. If one assumes that 15 MW are added whether through drilling or drilling plus a binary unity (ignoring for simplicity the extra interest burden from a partially-debt-financed purchase of a binary unit) and assuming the Board moves to say a 70% dividend payout ratio by next year then, we could easily see a dividend yield greater than 30% based on the current stock price! Given the jurisdiction and the single plant nature of Polaris at this juncture, we suspect the stock will be valued at a higher than normal dividend yield, perhaps 10% to 12% of a fulsome dividend payout ratio. But, that still implies the potential for roughly a triple versus the current share price.

Emergent Capital Inc. ("Emergent"), Senior Secured Notes and Common Stock



We came to learn about Emergent through our relationship with Tony Mitchell who sits on the Board of Polaris and was a critical element of the team that kept Ram (Polaris' predecessor) alive during the most difficult years of that Company's history. Tony is the co-founder and CEO of Emergent which is listed on the New York Stock Exchange and is one of the largest players in the "Life Settlements" industry in the U.S. A life settlement is the sale of an existing life insurance policy to a third party for more than its cash surrender value, but less than its net death benefit. The original policy owner receives a cash payment while the purchaser of the policy assumes all future premium payments and receives the benefit upon death of the insured. There are a number of reasons a policy owner may choose to sell his or her life insurance policy including that they can no longer afford the premiums and/or that their estate needs have changed (for example, the passing away of the originally-intended beneficiary). Typical life settlement candidates are 65 or older and own a policy with a face value in excess of US$100,000. Life expectancy is the most important variable in calculating a life settlement offer, the shorter someone's life expectancy, the higher the life settlement offer. The value of the policy typically appreciates over time as the insured ages and expected mortality approaches. From an investment point of view, life settlements offer the potential for high and completely uncorrelated returns relative to equity markets or the economy in general. Life settlements remains a relatively unknown industry, it is estimated that every year in the U.S. life insurance policyholders lose over US$100 billion by lapsing life insurance that is not needed or has become unaffordable. In addition to Emergent, industry participants include: AIG (estimated to have the largest portfolio at circa US$15 billion in death benefits), Berkshire Hathaway, and a number of private equity players such as Apollo, Fortress, TPG and Blackstone. The industry is now regulated in 42 states and Puerto Rico (covering 90% of the U.S. population) with a focus on consumer protection. Emergent targets attractive returns of 15% to 25% per annum yet the credit quality of the policies is very high being primarily investment grade-rated national insurance carriers.

At the end of December 31, 2015, Emergent held 632 policies with a total death benefit of circa US$3 billion (average death benefit per policy of US$4.7 million) and an estimated fair value of US$461.9 million (compared to 607 life insurance policies as at December 31, 2014 with a then estimated fair value of US$388.9 million). The weighted average discount rate used to calculate fair value was 17.02% as at December 31, 2015. During the fourth quarter of fiscal 2015 (Company has a December 31st fiscal year end) the portfolio experienced 3 policy "maturities" (i.e., deaths of insureds) totalling US$13.9 million in death benefits and so far this year the portfolio has seen 5 maturities totalling US$11 million in policy death benefits. The average age of the portfolio at the end of 2015 was 81.6 years with an average remaining life expectancy of 9.9 years. Over 97% of the portfolio is backed by investment-grade rated insurers with no single carrier representing more than 20% of expected benefits.

The following tables break out Emergent's portfolio in some detail vis-a-vis death benefits, age cohort, insurance carrier credit rating and, life expectancy ("LE"):

Current Age	Count	%	$ NDB	% NDB
70.1 to 75.0	34	5%	152,151,000	5%
75.1 to 80.0	224	35%	1,086,814,642	36%
80.1 to 85.0	232	37%	1,135,644,982	38%
85.1 to 90.0	106	17%	454,717,313	15%
90.1 to 95.0	34	5%	142,284,367	5%
95.1 to 100.0	2	0%	7,740,000	0%
Total	**632**	**100%**	**2,979,352,304**	**100%**
Avg. Age:	**81.6**	**Yrs.**		

S&P	Count	$ NDB	% NDB
AA+	7	29,943,333	1%
AA	4	13,000,000	0%
AA-	356	1,635,955,265	55%
A+	132	681,588,095	23%
A-	0	-	0%
A	49	224,963,848	8%
BBB+	62	300,271,763	10%
BBB-	2	4,250,000	0%
B+	18	82,880,000	3%
NR	2	6,500,000	0%
Total	632	2,979,352,304	100%

CURRENT LE (Yrs)	Count	%	$ NDB	% NDB
0 to 3.0	31	5%	137,585,252	5%
3.1 to 6.0	96	15%	398,411,549	13%
6.1 to 9.0	163	26%	730,348,695	25%
9.1 to 12.0	174	28%	884,238,232	30%
12.1 to 15.0	113	18%	551,278,226	19%
15.1 to 18.0	53	8%	268,490,350	9%
18.1 to 21.0	2	0%	9,000,000	0%
Total	**632**	**100%**	**2,979,352,304**	**100%**
Avg. Wtd. LE:	**9.9**	**Yrs.**		

Net DB ($ Million's)	Count	%
$1 to $2	156	25%
$2 to $3	120	19%
$3 to $4	71	11%
$4 to $5	104	16%
$5 to $6	23	4%
$6 to $7	12	2%
$7 to $8	26	4%
$8 to $9	11	2%
$9 to $10	100	16%
> $10	9	1%
Total	632	100%
Avg. Death Benefit:	$4,714,165	

Source: Emergent Capital, Inc. Data as of 12/31/2015; unaudited and subject to adjustment

NB: When reviewing the above tables, note that every quarter Emergent engages with its life expectancy estimate providers to update the latest life expectancies on 1/8 of their portfolio so that, after 2 years, 100% of the portfolio has been re-estimated and then the process begins anew.

This has the effect of ensuring that the life estimates are never too stale though it is an expensive and laborious process.

Emergent's policies are held in Delaware by Wilmington Trust on behalf of two Irish subsidiaries (there are tax benefits to this structure) called White Eagle and Red Falcon and which are both controlled by Emergent. White Eagle holds 437 policies with a combined death benefit of US$2.2 billion and an estimated fair value of US$331 million as at December 31, 2015. At the same date, Red Falcon held 156 policies with a total death benefit of US$603 million (note subsequent to year end Red Falcon will be receiving the 39 policies that Emergent held corporately at year end) and an estimated fair value of US$119 million. White Eagle and Red Falcon are financed by non-recourse-to-Emergent senior secured credit facilities which pay for the premium costs of the policies and accumulate interest expense. In the case of the US$250 million capacity (US$174 million outstanding as at December 31, 2015), April 2028 maturity, LIBOR plus 450 basis points ("bps")(150 bps floor) White Eagle facility, as policy proceeds are received there is a "waterfall" of payment priorities which sees premium payments and interest/fees being paid after which if the loan-to-value ("LTV") is greater than 50% then 100% of the remaining proceeds are used to reduce the outstanding loan balance; if LTV is between 50% and 25% then 65% of the remaining proceeds are paid to the lender and 35% to Emergent; if LTV is less than 25% then 65% of the remaining proceeds are paid to Emergent and 35% to the lender, and; if there is no debt outstanding then 50% to Emergent and 50% to the lender (yes, a very good deal for the lender but Emergent did not have many other financing options at the time). In the case of Red Falcon there is a US$110 million capacity facility (US$55 million drawn down at year end), July 2022 maturity, LIBOR plus 450 bps (100 bps floor). The Red Falcon waterfall works differently than White Eagle and is more favourable to Emergent (though provided by the same lender): First there is a 5% preferred payment to the lender (which ends when the facility matures) after which premium payments and interest/fees are paid; if LTV is greater than 50% then 100% of remaining proceeds goes to reduce outstanding debt balance; if LTV is between 50% and 25% then 65% goes to the lender and 35% to Emergent, and; if LTV is less than 25% then 65% to Emergent and 35% to the lender (note too that, post July 2020, the Company must fund premium payments and the revolver feature is no longer available in Red Falcon).

Since these credit facilities participate to varying degrees in the death benefits of the underlying policies, it is important to contrast the estimated fair value of the credit facilities against the estimated fair value of the policies. Thus, as at December 31, 2015, the estimated excess of asset fair value over debt fair value was approximately US$162 million in White Eagle's case and approximately US$63.3 million in the case of Red Falcon (using mid-points of the fair value estimates) for a total of US$225 million. As well, as at December 31, 2015, Emergent held corporately 39 policies with an estimated fair value of US$11.9 million (mid-point of range). Due to the nature of the assets (as the portfolio ages it becomes more valuable), we should expect to see an increasing book value and materially so in future years. Currently, Emergent's stock is trading at US$3.92 while book value as at December 31, 2015 was US$8.01.

One cannot discuss Emergent without reviewing the significant legal history that the Company has slogged through (expensively) over the last almost 5 years. Shortly after coming public via an IPO at US$10.75 per share, the Company's offices were raided by the New Hampshire

Attorney General's office ("AG") as part of an investigation into Emergent's premium finance business. This was a business line that helped Emergent grow its portfolio rapidly in earlier years and that success no doubt brought some unwanted attention [readers should note two points: 1. life insurance companies are disdainful of life settlements companies, after all, for life insurance companies, a lapsed policy is economically very attractive so entities that help curtail lapsed policies are not exactly welcome and, 2. historically there have been a number of cases of unsavoury business practices in the life settlements space. However, with all the new regulations in place and the scrutiny that past behaviour brought, it is our opinion that the industry has cleaned up considerably]. Not long after the AG investigation commenced, SunLife filed a lawsuit in relation to 30 policies that Emergent had acquired and for which SunLife was the carrier. Between the SunLife lawsuit and the AG investigation, Emergent has spent something in the vicinity of US$80 million to US$90 million over the last approximate 5 years on legal and other fees not to mention the considerable business damage these brought to bear (e.g., Emergent was not financeable for some time resulting in very expensive credit facilities). However, last summer Emergent won a decisive legal victory against SunLife and on December 31, 2015 the Company received notice from the AG that the investigation was officially closed. Going forward Emergent will no longer be spending precious capital on non-core activities (US$16.9 million in fiscal 2015 on the AG matter alone) and there is an opportunity for damages to be claimed against SunLife. Ironically, the victory against SunLife and the winding down after 4 plus years of intense investigation by the AG gives us comfort that this is amongst the most vetted or "scrubbed down" portfolios in the life settlements space (i.e., if there was anything nefarious to find it would have been found).

We have invested in Emergent in two ways. We have a relatively modest position in the stock with the viewpoint that, at some point in the not-too-distant-future, the portfolio will have matured such that Emergent's share of future waterfall payments will leave the Company in a meaningfully cash flow positive position. We would like to own much more stock as that time frame approaches. And, we have invested in and have helped place with others a private US$30 million, 30 month term, senior secured Note with a 15% coupon. This Note is to provide Emergent with an extra cash cushion in the interest of prudent planning and we feel that, between the excess of fair value of policies above the two non-recourse credit facilities, other assets like cash and the ability, if necessary, for the Company to issue more equity, we are well-covered in the Notes. The significant insider participation in the Note issuance was also a good sign we think. Further, we are assisting Emergent in pursuing possible opportunities to manage additional, non-dilutive-to-Emergent's-shareholders, capital in the life settlements space (possible "sidecar vehicles" or other mechanisms).

Small Private Positions

We continue to hold stock in 3 private companies, AMP Solar Group Inc., Morgan Solar Inc. and Medexus Inc. which each may, upon liquidity realization events occurring, be worth much more than our current carrying values. In the case of AMP Solar, our carrying value is approximately C$14 million. AMP is currently in the process of raising additional capital at a targeted valuation significantly higher than our carrying value. Morgan Solar, after much delay, appears very close to completing a US$30 million raise at US$2.30 per share (we carry the position at C$1.50 per share). Medexus too is in the midst of completing a small raise at $1.50 per share, given our participation in this raise we are increasing our carrying value from $0.714 per share to the transaction price of $1.50. Collectively these are small weights but their impact on the Fund’s portfolio could be large.

Final Comments

While timing is always unknown, we feel strongly that the Fund is well-positioned for strong performance going forward. Our "potential upside to target prices" analysis continues to point to the possibility of substantial upside despite currently carrying a fairly large cash balance (recall this analysis is simply the mathematical sum of what the Fund's net asset value per unit would increase by if all of our long holdings went to our target prices). We remain the largest investors in the Goodwood Fund and so our commitment is firm and we are well-aligned with our co-investors. We would note too that, all things being equal, we estimate the Fund's remaining tax loss carryforwards should shelter approximately 89% of future net realized gains based on current assets.

Respectfully submitted,

Peter Puccetti, CFA
Chief Investment Officer
Goodwood Inc.

March 30, 2016

GOODWOOD CAPITAL FUND
2015 Annual Report

To the Unitholders of Goodwood Capital Fund:

For the year ending December 31, 2015, the Goodwood Capital Fund’s (the "Capital Fund") net asset value (“NAV”) per unit decreased **-8.1%.** The S&P/TSX Composite Total Return Index ("TSX") decreased -8.3% and the S&P/TSX SmallCap Total Return Index (“SmallCap Index”) decreased -13.3% in the same period.*

From December 23, 1999 (commencement of the offering of the Capital Fund) through to December 31, 2015, the Capital Fund has returned **+4.1%** per annum net versus the TSX's per annum increase of +5.3%.

No distributions were paid on December 31, 2015.

The Capital Fund's 2015 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 pages 2 through 17 of 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
Chief Investment Officer
Goodwood Inc.

March 30, 2016

* 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 The 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 S&P/TSX SmallCap Total Return Index provides an investable index for the Canadian small cap market. These indices include reinvestment of dividends and capital gains

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 are net of all management fees, expenses and performance incentive fees and 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.

GOODWOOD MILFORD FUND
2015 Annual Report

To the Unitholders of the Goodwood Milford Fund:

For the year ending December 31, 2015, the Goodwood Milford Fund's (the "Fund") net asset value ("NAV") per "Class S" unit decreased by **-1.2%.** The S&P/TSX Composite Total Return Index ("TSX") decreased by -8.3% in the same period. The FTSE TMX Canada Universe Corporate Bond Index returned +0.6% in 2015.

From January 1, 2006 (commencement of the offering of the Fund) through to December 31, 2015, the Fund has returned **+14.7%** per annum net (after all fees) versus the TSX's per annum return of 4.4%.*

The Fund's 2015 audited financial statements are attached for your review.

During 2015 (based on month end figures), the Fund averaged a **114.0%** 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 **145.2%** invested, composed of **144.2%** long and **1.1%** short, leaving a "net market exposure" (i.e., longs minus shorts as a percentage of the Fund's equity) of **143.1%**. At the other extreme, the Fund was **87.6%** invested, or **82.2%** long and **5.4%** short for a net market exposure of **76.8%**.

The Fund's investment focus is on creating investment return by recognizing companies whose bonds will rise in price as a result of improving credit quality. We forecast improvements in credit quality by analyzing fundamental bottom up factors and watch for improvements in corporate performance, implementation of successful new business lines, asset sales, deleveraging and equity raises.

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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 are net of all management fees, expenses and performance incentive fees and 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. Performance returns in this report are calculated for the founding Class of Units. Other classes may charge different fees and therefore returns between the different classes may vary. Goodwood Inc. became the Investment Manager of the Goodwood Milford Fund on October 1, 2013 and Chris Currie, CFA joined Goodwood Inc.'s investment team continuing as portfolio manager for the Fund. There will be no change to the investment strategy of the Fund.

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. Performance data from certain market indices (S&P/TSX Composite and FTSE TMX Canada Universe Corporate Bond Index) are provided in this report for information purposes only. A comparison of the Fund's performance to such market indices is of limited use because the composition of the Fund's portfolio may contain other securities not found in the market index. As a result, no market indices are directly comparable to the results of the Fund.

The Goodwood Milford Fund

The Goodwood Milford Fund has a similar value philosophy to the other Goodwood Funds but with a greater focus on corporate credit and yield investments. In terms of strategy the Fund has a core corporate credit focus with an overlay of long/short equity. We believe the coupon income from corporate bonds combined with their lower volatility as compared to stocks, along with selective long and short equity positions is a unique strategy in the alternative asset space. An important part of our strategy is to preserve investors' capital in times of falling equity markets by moving into higher rated bonds which benefit from both coupon income and a premium that represents the "flight to safety" aspect.

In reviewing the Fund's -1.20% return in 2015 we have to point out the significant impact the drop in oil prices had on most Canadian asset classes including equities, corporate credit and currency. The swift downturn in oil prices from US$63 a barrel in May 2015 to US$40 a barrel at the end of 2015 was remarkable. The TSX echoed this large drop with a decline of -8.3% for 2015 which had a significant impact on the Fund's returns. As we discuss below the Fund's equity holdings were negatively impacted. In addition, the uncertainty caused by the drop in oil prices created a weak environment in Canadian corporate credit which negatively impacted the Fund's returns as well. More detail on how the different asset classes held by the Fund performed is provided below.

Comments on Fund Asset Classes

Long Corporate Credit

Corporate credit is the core of the Goodwood Milford Fund's strategy. We are investors on an opportunistic basis in most segments of the fixed income universe which ranges from AAA rated government bonds to lower rated, higher yielding credits.

Where we invest on the credit curve is dependent primarily on our outlook for the investment improvement prospects of an individual company within the outlook for economic growth and inflation. Our investment style is to concentrate on finding potential credit improvements for corporate credits. We are not interest rate anticipators and as such do not buy very long dated maturity bonds. The corporate credit universe that we focus on breaks down into high grade credits and lower rated, higher yielding credits. The 2015 performance of the holdings of the Fund is described below:

High Grade Credits

Corporate bonds were not immune to the volatility experienced by other asset classes in 2015. After generating reasonable returns up the start of summer of 2015, corporate credit markets became less desirable in investors eyes when the oil price and the equity markets began to sell off. As measured by the FTSE TMX Canada Universe Bond Index, the BBB corporate bond index outperformed the broad index in 4 of the 6 months to the end of June 2015. Starting in July, the BBB corporate bond index underperformed in 4 of the six months as a result of investors "risk off" posture driven by falling oil prices. The BBB corporate bond index ended the year generating a total return of 2.5%, a full 1 percent lower in total return than the broad index return of 3.5%. Our investment strategy in the second half of the year was to shorten the duration of our corporate bond holdings and to sell holdings where appropriate. It is important to point out that the low level of coupon interest that is currently prevalent in the market does not contribute significantly to returns; it is the variations of principal prices which are driven by spreads and market interest rates.

High Yield

The high yield bond market had a difficult year in 2015 with the benchmark ETF in the US "HYG" selling off -12% from the high hit in February 2015. The 2015 return for this ETF was -10%. Oil prices were a major factor as the viability of several highly levered energy names in the US and Canada came into question as the oil price traded below their breakeven cost of operations. The Canadian high yield market has a large component of energy companies.

Another factor in the negative performance was high yield mutual fund redemptions and forced selling. With the selloff in the equity markets in the fall, high yield mutual funds in Canada and the US experienced redemptions as investor's appetite for risk decreased markedly. In order to raise cash to meet redemption requests mutual funds were trying to sell bonds into a market with no buyers – just sellers like themselves, as a result prices had to be slashed in order to execute trades. While we held no energy related high yield bonds throughout this period our performance suffered as we marked our holdings to reflect lower market prices.

Equities

Long Equities

Long equites experienced even lower returns than high yield bonds in 2015. From the highs reached in mid-April 2015 to year end, the TSX fell -15.8% on a price basis. The small cap ETF generated a greater loss falling -19.8% from its highs reached in mid May 2015 to year end.

The Fund's strategy to address this weak equity market was to decrease exposure to equities and to increase short sales of equities as described below.

Short Equities

The Fund had a successful year short selling equities in 2015. The themes we pursued on the short side were:

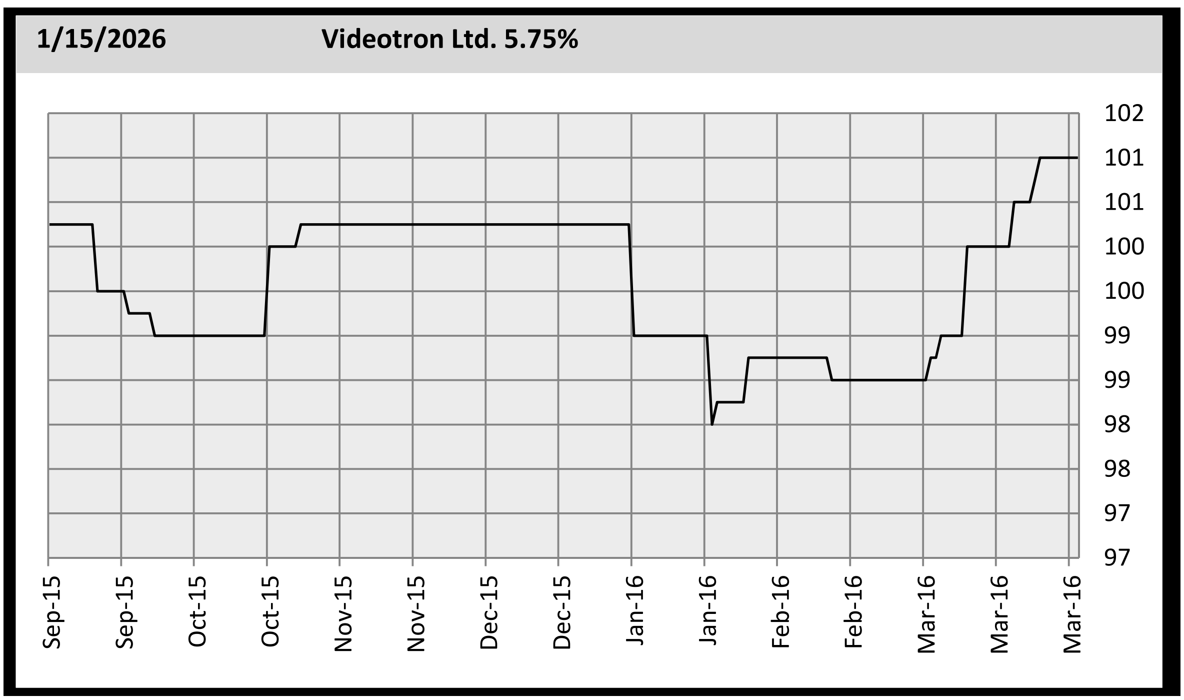
1) Falling oil prices – strategy - sell short energy producers with high cost structures and direct service suppliers. Names that we were shorted included Seven Generations Energy Ltd., Precision Drilling Corporation, Pason Systems Inc., Trican Well Service Ltd.

2) Alberta's oil based economy will slow dramatically – strategy – sell short companies where Alberta revenue exposure will negatively impact profitability. Names that we shorted included Wajax Corp., AutoCanada Inc. WesternOne Inc. and Bird Construction Inc.

3) CRTC hearings relating to consumers freedom to choose cable programming "pick and play" will be negative for certain TV network suppliers. Names we shorted were Corus Entertainment Inc.

Comments on Goodwood Milford Fund Portfolio Holdings

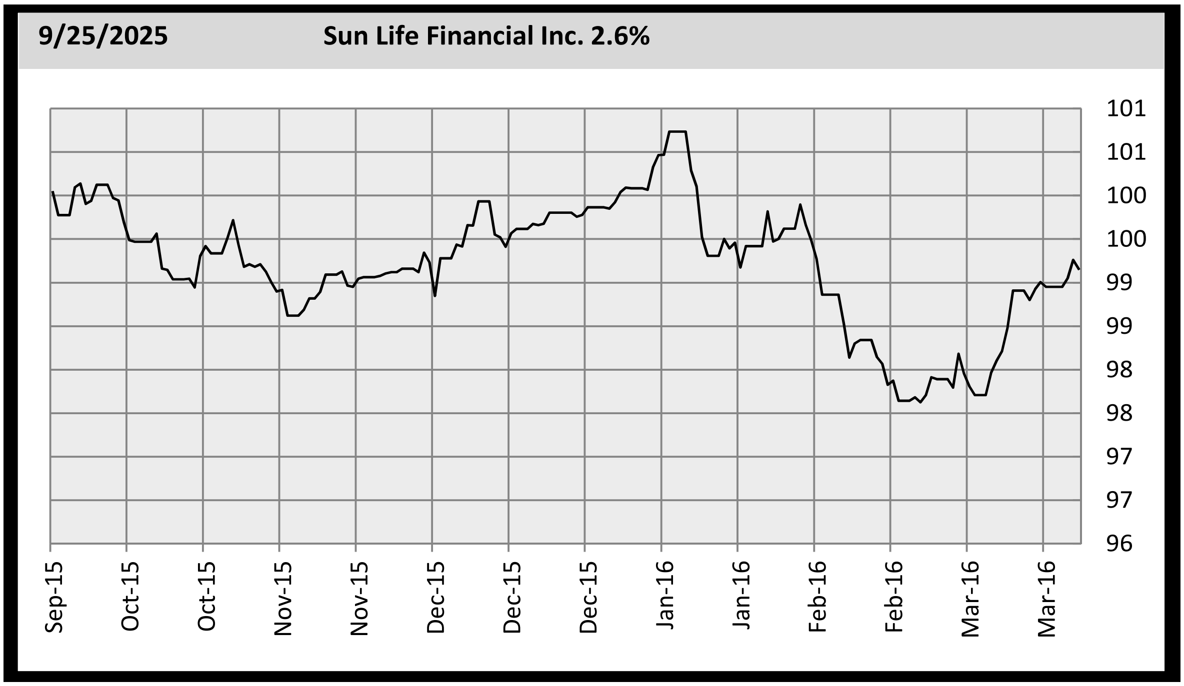
Videotron Ltd. 5.75% January 15, 2026 ("Videotron")



Videotron is the cable operating subsidiary of Quebecor Media. Both companies have a long track record of issuance in the high yield market. The bonds the Fund holds are issued by the operating company, Videotron which owns the cable assets. We view the steady nature of Videotron's cash flows from its cable assets as an attractive investment feature. Videotron is the largest cable operator in Quebec and is the third largest cable company in Canada. Videotron is reasonably leveraged and has no near term debt maturities until 2020. The bonds are rated Ba2 by Moody's and BB by S&P. Videotron has grown its EBITDA (Earnings before Interest, Taxes and Depreciation) in the last five years from $1.0bln to $1.3bln by adding digital set top boxes, higher speeds, premium add-ons and internet and telephone bundles.

We believe the issue was priced at an attractive coupon because of the perceived "uncertainties and speculations "at the parent level such as whether Quebecor would buy Wind Mobile (recently sold to Shaw) and whether Quebecor would be awarded with an NHL franchise for Quebec City. Both of which could potentially add to Quebecor's debt. There is also the factor that the founder's son and former executive Pierre Karl Peladeau was recently elected as leader of the provincial opposition party - the Parti Quebecois. In our view, none of these impacts Videotron the cable company and we are confident the company will generate sufficient cash flow to pay the bonds interest and that Videotron will be able to refinance the issue at maturity.

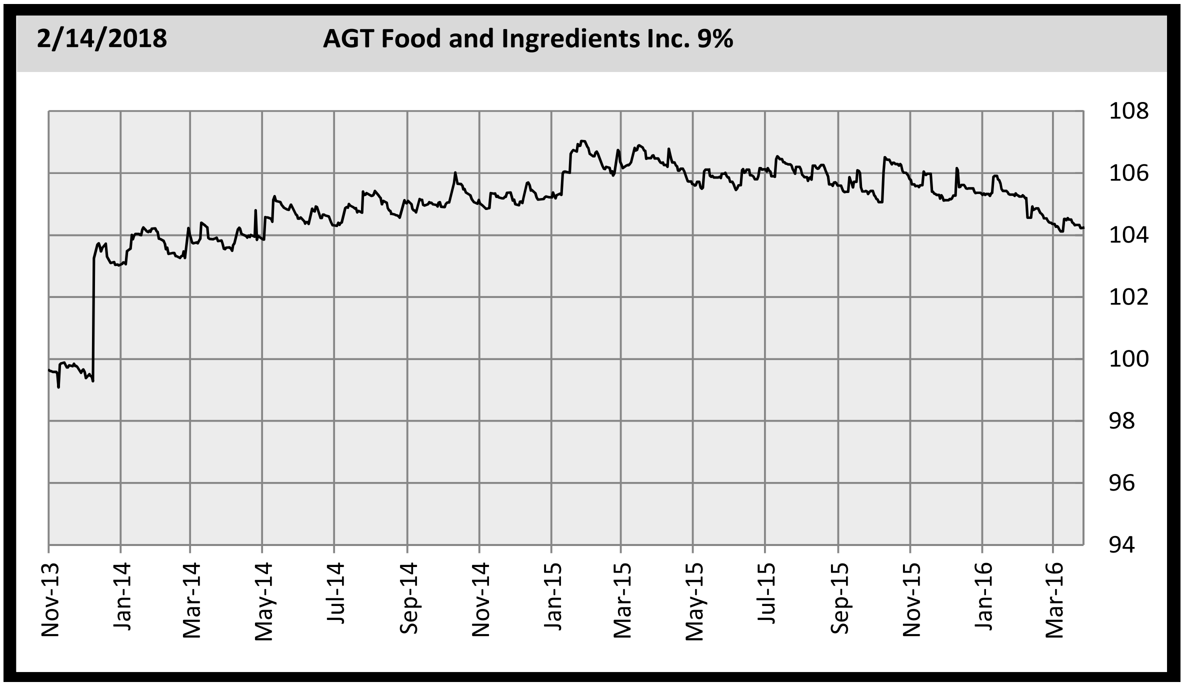
Sun Life Financial Inc. 2.60% September 25 2025 ("Sun Life")



We thought our unitholders would be interested in hearing about some unique corporate bond structures that came to the market in 2015. One is the Sun Life Financial 2.6% fixed to floating rate "5+5" bonds issued in September of 2015. Sun Life is a large diversified financial services organization that originally was one of the large Canadian life insurers. Primarily by acquisition, the company has expanded into new markets in the United States and Asia with new business lines such as wealth management, mutual funds and structured insurance products. Sun Life Financial has a market capitalization of about $25 billion making it one of Canada's largest entities. The company's debt rating is A- from S&P and A low from DBRS.

This issue is unique in that it acts like a 5 year bond with a fixed semi-annual pay coupon of 2.6% until September 25, 2020. Thereafter the coupon is reset to a floating rate that resets quarterly at a rate of 3 month CDOR plus a spread of 143 basis points for the final five years until maturity in 2025. The company has the ability to repay the bonds in full at $100 par value at this point as well. The attraction for investors is that they receive a free option to participate in potentially higher coupon payments, which are paid and reset quarterly, if interest rates are higher 5 years from now. The original issue spread of 181 basis points on the initial fixed five year portion of the bond was in line with other Sun Life issues so that the additional five year piece - at floating rates which are intended to protect principal in a rising rate environment - could be considered a free option.

AGT Food and Ingredients Inc. 9.0% due February 14, 2018 ("AGT")

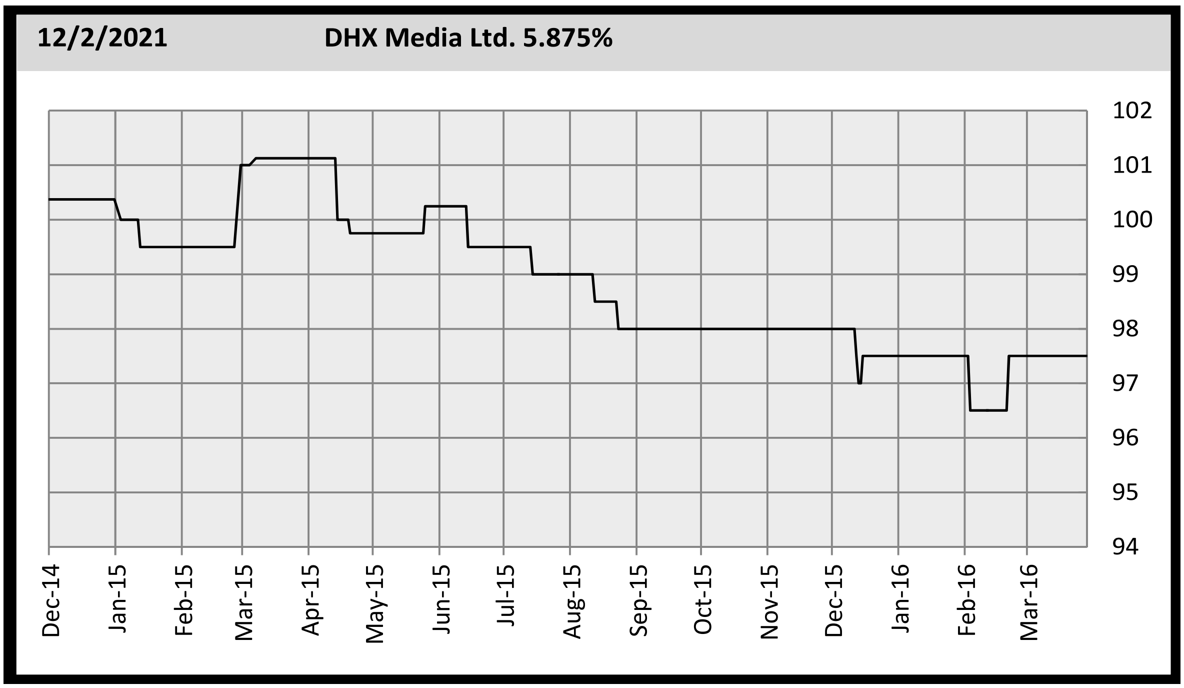


In the same theme as the Sun Life Financial issue described above – i.e. corporate securities that are interesting because of certain structural uniqueness of the security, we thought unit holders might be interested in a discussion regarding a follow on investment we made in Alliance Grain Traders Inc. 9% due February 14, 2018 (now AGT Food and Ingredients Inc.). We have held this bond since it was issued in January 2013. The bond is rated B+ and B by S&P and DBRS respectively. We added to our position at a slight premium to par in the fall when the high yield market experienced a period of volatility caused in part by mutual fund redemptions.

AGT is a multinational grain processor based in Regina, Saskatchewan that produces pastas and processes non mainstream grains such as chick peas, lentils etc. The company is expanding in North America with a partnership with Cargill Inc. to produce commercial quantities of gluten free non - GMO (non-genetically modified) food ingredients which are becoming increasingly popular.

The bond's primary unique attribute is its high coupon, which at 9% is one of the highest in the Canadian market. The bond also has a short maturity - 24 months in February 2018. What made the purchase interesting to us is we believed the market was over estimating the Company's ability or preference to exercise the call feature contained in the terms of the issue. Let's back up briefly – the bond has a first call feature at $106.75 starting in February 2016. That means the first date the company could call in the bonds from investors is February 2016 and they would have to pay investors a price of $106.75. We believe the market was mispricing the call feature as we did not hold the opinion that the Company would be able to call the bond or view calling the bond at $106.75 prudent given the choppy markets we felt we were entering into. Instead our view was that AGT may not refinance this bond at an earlier date and we would earn an extra 2 years of the 9% coupon. While the story is not finished, the bond has not been called and we continue to earn a 9% coupon providing an attractive income to the Fund.

DHX Media Ltd. 5.875% December 2, 2021 ("DHX")



We consider DHX Media bonds a core holding for the Fund as it represents higher yielding security in a unique industry with attractive credit fundamentals. The bonds pay a coupon of 5.875%, mature in December 2021 and are rated BB- by S&P and BB L by DBRS. DHX business has four core platforms. The two largest by revenues are the commercial free Family Channel and the content production business. Both units are approximately 30% each of current year revenues of approx. $300mm. The third largest unit is the library and distribution business which has doubled in revenues year over year. This is where DHX's library of 11,000 half hours of children's shows is. The final division is the merchandise and licensing division, where the company partners with toy manufacturers to sell dolls, games and clothing of its cartoon characters. This unit has relaunched the classic Teletubbies TV show and related merchandise.

We find this investment attractive as DHX has shown an ability to extract value from its world class slate of over 11,000 1/2 hour television shows by selling to a variety of international buyers. Although a library of television shows is a non-traditional asset, DHX has been very successful in capitalizing on growing demand. We feel DHX is "at the right place, at the right time" as the demand for content from new streaming services and other internet broadcast platforms is growing at a rapid pace. What is attractive about this library of ½ hour shows is that it can be resold over and over yet the production costs are one time. We believe the 5.875% bonds will be refinanced in the market or repaid from the Company's bank line. DHX also carries a high level of cash, currently the cash balance is $60mm. The Company's EBITDA has been growing a steady rate. DHX is forecast to generate over $100mm in EBITDA in the 2016 fiscal year which would result in a debt to EBITDA ratio of approximately 2.5x.

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

Thank you for your support in 2015, we look forward to 2016.

Respectfully submitted,

Chris Currie, CFA
Portfolio Manager
Goodwood Inc.

March 30, 2016

	Goodwood Fund	Goodwood Capital Fund	Goodwood Milford Fund
Strategy:	Long/Short Fundamental bottom-up value oriented	Long-only Fundamental bottom-up value oriented	Long/Short Fundamental corporate credit with equity overlay
Exposure:	North America	North America	North America
Valuation/Liquidity:	Weekly & Monthly	Weekly & Monthly	Weekly & Monthly
Fund Type:	Mutual Fund Trust	Mutual Fund Trust	Limited Partnership
Inception Date:	October, 1996	December, 1999	January, 2006
RRSP Eligible:	Yes	Yes	N/A
Prime Broker/ Custodian:	National Bank Correspondent Network (NBCN Inc.)	National Bank Correspondent Network (NBCN Inc.)	BMO Capital Markets
Trustee/ General Partner:	Computershare Trust Company of Canada	Computershare Trust Company of Canada	Milford Capital Management Partners Inc.
Fund Accounting:	CommonWealth Fund Services Ltd.	CommonWealth Fund Services Ltd.	CommonWealth Fund Services Ltd.
Auditor:	KPMG, LLP	KPMG, LLP	KPMG, LLP
Legal Counsel:	Borden Ladner Gervais, LLP	Borden Ladner Gervais, LLP	Borden Ladner Gervais, LLP
FundSERV Code:	Class B – GWD022 Class F – GWD222	GWD001	Class A – GWD020 Class F – GWD216 Series Codes - Q2 2016

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