GOODWOOD INC.

THE

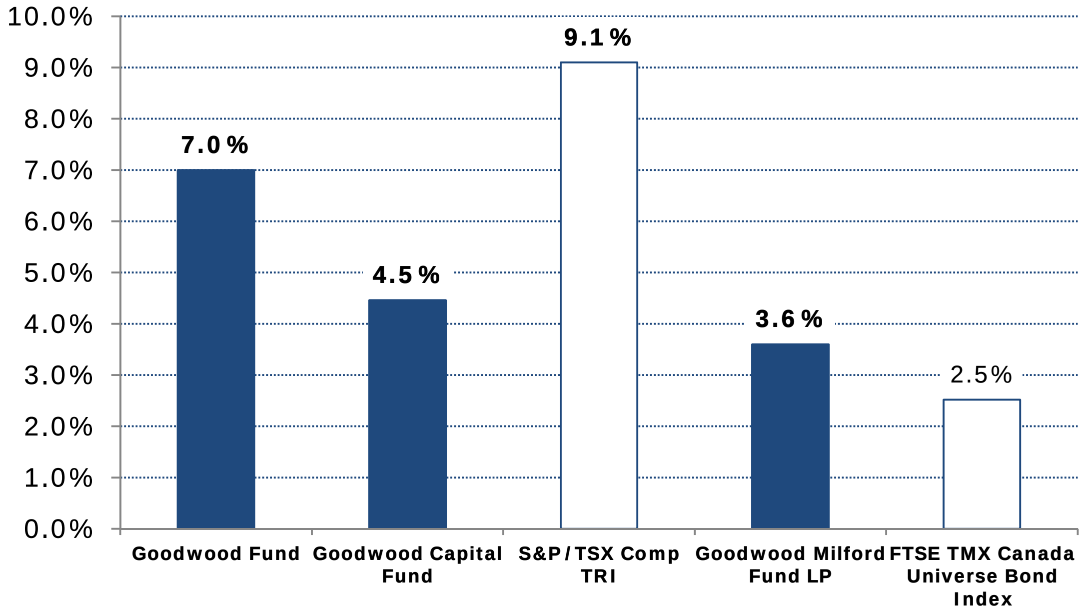
GOODWOOD

FUNDS

2017 Annual Report
Twenty-Second Edition

2017 Performance

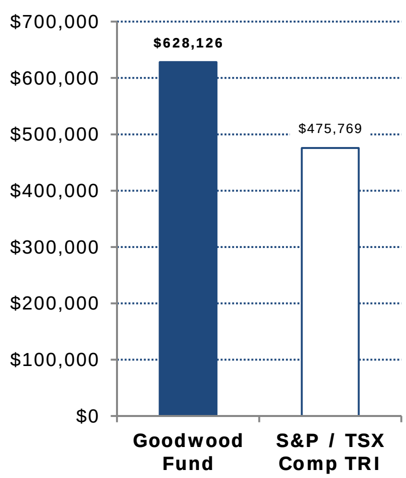
(net of fees)



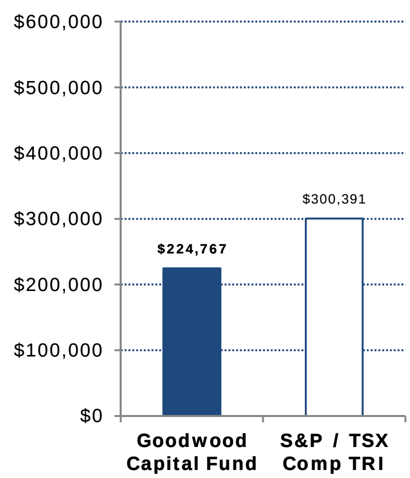
Long-Term Performance

Value of $100,000 invested since inception of Fund to December 31, 2017

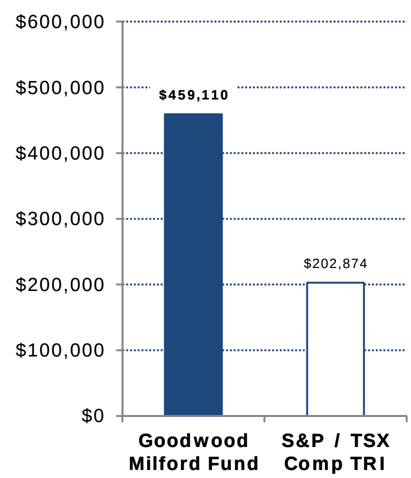
Goodwood Fund



Goodwood Capital Fund



Goodwood Milford Fund LP



	Goodwood Fund	Goodwood Capital Fund	Goodwood Milford Fund LP
CAGR:	9.1%	4.6%	13.5%
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	Class A – GWD001 Class F – GWD004	**Goodwood Milford Fund Trust** Class A – GWD600 Class F – GWD601 Class A D– GWD602 Class F D– GWD603

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. 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. See annual report enclosed for full disclosure details. The Goodwood Milford Fund Trust was launched in May 2017 and has the same investment strategy as the Goodwood Milford Fund LP. Other class or series, including the Goodwood Milford Fund Trust may charge different fees and/or have different holdings and therefore returns between classes and Funds may vary. See next page for further disclosure details.

GOODWOOD INC.
2017 Annual Letter

I am more than pleased with the Goodwood Funds' 2017 investment returns and therefore, proud to submit the 22nd edition of the Goodwood Annual Report. I would like to thank our unitholders for their continued support and as always, welcome any feedback you may have.

2017 Investment Awards:

Goodwood SPValue Fund LP	First Place – Best 1-Year Equity Focused Annualized Return category: +87.56% (ending June, 2017)
Goodwood Milford Fund LP	First Place – Best 5-Year Credit Focused Annualized Return category: +9.82% (ending June, 2017)

2017 Net Investment Returns for the Goodwood Funds:

	2017	Annualized Since Inception
Goodwood Milford Fund LP	+3.6%	+13.5% (Jan 2006)
Goodwood Fund	+7.0%	+9.1% (Oct 1996)
Goodwood Capital Fund	+4.5%	+4.6% (Jan 1999)
Goodwood SPValue Fund LP	+12.7%	+18.6% (Mar 2014)

The mandates above use alternative strategies which seek to maximize capital appreciation and generate positive risk-adjusted investment return. Each approach is unique and customized to the Fund's investment objective. Therefore, an annual review of each mandate's strategy is encouraged before reading the Annual Report. To begin, I will review our fixed-income solution, the Goodwood Milford Fund.

We have noted, on many occasions, that we are not interest rate forecasters; however, a summary of the historical and expected changes to Canadian and US interest rates will help frame our perspective on 2018 fixed-income opportunities. As everyone knows, when interest rates rise, bond prices fall, and vice versa. Indeed, over the past 25 plus years, due to declining interest rates, traditional fixed-income managers have had a tremendous tailwind to generate investment return. The Bank of Canada 10-year bond yield has fallen from 11.5% in the 1990s to less than 2% in 2018. During this period, the duration risk, or the sensitivity of a bond price to a change in interest rate, has risen steadily. However, not all bonds have the same sensitivity to interest rates. Generally speaking, the longer the bond's maturity, the greater the bond is affected by changing interest rates. Therefore, it is expected that a 10-year bond will lose more of its value than the two-year note when interest rates rise. Also, the lower a bond's coupon rate, the more sensitive the bond's price is to a change in interest rate. This relationship is why traditional fixed-income mandates and lower-coupon government bonds have a high degree of duration risk to rising rates. For this reason, at Goodwood, we actively manage duration exposure to profit from increasing (or declining) interest rates.

Modern portfolio theory is based on the idea that risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of risk. Risk can be defined in many ways, but in the world of fixed-income investing, income volatility or, the standard deviation of monthly returns, is often used as a benchmark measurement of risk. Conservative investors have traditionally used the fixed-income market as a haven, as bonds are structured as contractual obligations by a lender to return capital with interest at a predetermined maturity date. Whereas, the equity market can be used to speculate on corporate profits as returns are based on anticipated operating performance. However, in a sub 2% interest rate environment, traditional fixed-income strategies are forced to increase yield by extending maturity, which increases the level of risk or, return volatility over the contractual term-to-maturity.

The Goodwood Milford Fund, managed by Chris Currie (Chris also manages Goodwood's private client segregated managed accounts), uses an alternative investment strategy that aims to generate total return without increasing duration. The core strategy is to invest in corporate bonds specially selected to provide higher coupon income as well as capital gains from credit upgrades and/or other credit enhancing events. To further reduce portfolio risk, the flexible investment strategy can short treasury bonds to isolate credit term premiums (spreads between Treasury and non-treasury securities). To further enhance total risk-adjusted returns, the strategy may invest a small portion of its assets into long/short equity positions (including preferred shares). The Goodwood Milford Fund strategy has won multiple industry awards for its 5-year Sharpe Ratio which is a risk-adjusted measurement of expected return. Simply put, the Sharpe Ratio is the historical rate-of-return minus the risk-free rate, divided by standard deviation. I would be remiss if I failed to mention, the strategy also won first place for the Best 5-year annualized return at the annual Canadian Hedge Fund Awards (hosted by KPMG, LLP) in October, 2017.

Another element of the Modern Portfolio Theory is to add portfolio investments that increase non-correlated returns. The Goodwood Milford Fund 8-year correlation analysis to the iShares Core Canadian Bond Universe Bond ETF was -0.01 while the iShares Canadian Corporate Bond ETF was 0.04 which, we believe, make the strategy an effective addition to a fixed-income portfolio. When reading the Annual Report, I would encourage you to compare the Goodwood Milford Fund's Statement of Investments to that of other fixed-income strategies being utilized within your portfolio.

In previous editions of our Annual Report, we noted that our equity returns had exhibited little to no return correlation with the North American equity markets. In 2017, Canadian and US growth securities (i.e., FANG stocks, crypto-currency and marijuana "weed" businesses) made new highs (pun intended) in our opinion, without any regard to proven and sustainable business plans, fundamentals or intrinsic value assumptions. At Goodwood, we define equity risk as, the likelihood of a permanent loss of capital. We strive to reduce equity risk by investing our capital in undervalued, high-quality assets that generate significant amounts of cash flow from continued and sustained operations or, that possess unrecognized assets that are not adequately being valued at the current share price.

Our company-specific approach is not dependent on the markets moving higher, but rather the company's ability to reprice or unlock intrinsic value. Goodwood's three equity mandates, which are managed by Goodwood's Chief Investment Officer, Peter Puccetti have a long track record of investment success through a concentrated, company-specific and event-driven approach, with a focus on undervalued public securities. We remain focused on business fundamentals rather than speculating and investing in unproven business plans. We take a longer-term approach to our investment strategy and pay little attention to the short-term return volatility.

The Goodwood Fund's investment objective is to maximize long-term return through the purchase and short sale of exchange-listed and/or over the counter quoted securities using a bottom-up, company-specific portfolio management approach. The portfolio is relatively concentrated with 8-10 core positions typically representing over 75% of the portfolio. The value-oriented, “special situations” stock picking strategy allows the Goodwood Fund to focus on a limited number of ideas. These ideas are believed to offer superior potential and build strong relationships with senior management of investee companies.

The Goodwood Capital Fund has a similar objective to the Goodwood Fund, but with additional portfolio restrictions, for example, the Fund is not permitted to enter into short sales. Goodwood SPValue Fund’s objective is a special purpose vehicle set up to pursue singular and unique investment opportunities. The investment objective is to generate long-term total returns through investments in companies, deemed by us, to be undervalued and where, our active involvement via provision of capital, improvements in corporate governance and management and, strategic insight may positively influence or skew the outcome in our favour (see Polaris Infrastructure commentary within Peter’s 2017 Goodwood Fund Annual Report). The Goodwood SPValue Fund won first prize for Best 1-year return at the Canadian Hedge Fund Awards in October, 2017.

Once again, thank you for your continued support and confidence, and I look forward to discussing the 2017 results and our 2018 outlook in person.

Respectfully submitted,

Curt Cumming
President
Goodwood Inc.
(416) 203-2022
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March 29, 2018

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The information contained herein is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or an offer to buy or sell the securities mentioned herein. The Goodwood Funds and/or the principals, officers, directors, employees of Goodwood Inc. may have a position in the securities mentioned herein and may make purchase and/or sales of these securities from time to time. Our valuations may contain forward-looking information which is subject to change. Actual results or performance may differ materially from those expressed or implied in this document as a result of unforeseen events and their effects on our valuations and opinions. Principals of Goodwood Inc. may, from time to time, accept officer positions and/or directorships from companies unrelated to Goodwood Inc. In this circumstance, such companies would be considered under relevant securities law to be “related” or "connected issuers" to Goodwood Inc. or to Funds managed by Goodwood Inc. Currently, there are no "connected issuers" in relation to Goodwood Inc. and/or the Funds managed by Goodwood Inc. Furthermore, Goodwood Inc., or an affiliate of Goodwood Inc., may provide services to and receive compensation from issuers in which the Funds are invested. Goodwood Management Services Ltd., an affiliate of Goodwood Inc., entered into a 5 year Consulting Agreement with Polaris Infrastructure Inc. (formerly Ram Power Corp) dated May 13, 2015. Goodwood Inc. has adopted appropriate policies and procedures to address conflicts of interest with respect to connected issuers.

The Offering Memorandum (Goodwood Fund, Goodwood Milford Fund LP & Goodwood Milford Fund Trust) and Prospectus (Goodwood Capital Fund) contain important information about the funds, including management fees, other charges and expenses and should be read carefully before investing. Fund performance is not guaranteed; net asset values change frequently and past performance is not indicative of future performance and may not be repeated. **Performance returns in this report are calculated for the founding Class of Units for each respective Fund** - Goodwood Fund Class A Units, Goodwood Capital Fund Class A Units and Goodwood Milford Fund Class S. The returns are net of all management fees, expenses and incentive performance fees. The performance fee for Goodwood Fund Class A units is 20% of positive returns over a 10% hurdle. Therefore in periods of positive performance the Class A is subject to lower performance fees. Currently only the Class B and Class F units of the Goodwood Fund are offered. Goodwood Fund Class A and Goodwood Capital Fund Class A charge a 1.9% annual management fee and Goodwood Milford Fund Class S charges a 1.5% annual management fee. The Goodwood Milford Fund Trust was launched in May 2017 and has the same investment strategy as the Goodwood Milford Fund LP. Other class or series, including the Goodwood Milford Fund Trust may charge different fees and/or have different holdings and therefore returns between classes and Funds 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 has been no change to the investment strategy of the Fund. The Goodwood Milford Fund Trust was launched in May 2017 and has the same investment strategy as the Goodwood Milford Fund LP.

GOODWOOD FUND
2017 Annual Report

To the Unitholders of the Goodwood Fund:

For the year ending December 31, 2017, the Goodwood Fund's (the "Fund") net asset value ("NAV") per Class "A" units and Class "B" units both increased by **+7.0%**, while the NAV per Class "F" units increased by **+8.2%**. The S&P/TSX Composite Total Return Index ("TSX") increased by +9.1% in the same period.

From October 31, 1996 (commencement of the offering of the Fund Class "A" units) through to December 31, 2017, the Fund has returned **+9.1%** per annum net (after all fees) versus the TSX's per annum return of 7.6%.[*]

No distributions were paid on December 31, 2017.

The Fund's 2017 audited financial statements are attached for your review.

During 2017 (based on month end figures), the Fund averaged an **92.8%** 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 **105.6%** invested, composed of **105.6%** long and **0.0%** short, leaving a "net market exposure" (i.e., longs minus shorts as a percentage of the Fund's equity) of **105.6%**. At the other extreme, the Fund was **67.0%** invested, or **67.0%** long and **0.0%** short for a net market exposure of **67.0%**.

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, Goodwood Milford Fund Trust 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. 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 report 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. This communication is not a product of any research department. Goodwood Inc. does not have a research department. Any views and/or commentary in this communication is by the Author (Portfolio Manager of the Goodwood funds). This commentary is not a recommendation and does not take into account whether any product or transaction is suitable for any particular investor.***

Goodwood Fund Position Commentary

As at the time of writing of this Annual Report and in keeping with its concentrated approach, the Goodwood Fund has approximately 56.1% of equity invested in its top three positions so we will focus on explaining our rationale and conviction for owning these positions here.

Polaris Infrastructure Inc. ("Polaris", 23.1% Current Fund Weighting)

Polaris management and Board continue to execute well on the Company's strategy of maximizing the San Jacinto plant operations, increasing distributable cash to shareholders and opportunistically looking for additional financially-accretive renewable power assets. On January 30, 2018 Polaris released details concerning its latest drilling results - well SJ 12-4, the second new well of the 2017/2018 drilling program, was completed in November 2017 and testing-to-date indicates a contribution of 4 to 6 Megawatts ("MW's", note that geothermal wells take some time to stabilize so these initial estimates may change). And, well SJ 12-5, the third new production well of the 2017/2018 drilling program, was completed in January 2018 and testing indicates 8 to 12 MW's. Polaris now needs to add additional above-ground infrastructure to handle this additional steam production which we believe will be completed in May of this year and for modest cost. With these additional wells contributing, we believe it is highly probable that San Jacinto will be operating at or close to the maximum 72 MW's level as per the current Power Purchase Agreement sometime this summer.

At this 72 MW production run-rate, we estimate San Jacinto will be producing on the order of US$65mm in EBITDA and we believe Polaris will see its distributable cash flow running at circa US$35mm (after capital expenditures, interest and principal payments on project debt) or about a 16.1% free cash flow yield on the current market capitalization. We do not expect the Company to pay out all of its available cash flow but this does serve to illustrate the scope of cash flow available generally to the shareholders. Importantly, this level of free cash flow could be materially improved should the Company in the future successfully refinance its project debt with a facility that does not require as heavy principal repayment terms over the next few years - for example, US$9.9mm of principal was repaid during 2017 but if a new facility required only US$5mm of principal repayments then cash available for the shareholders would have been an extra C$0.40 per Polaris share or an extra 2.3% on the current share price (boosting the theoretical free cash flow yield to 18.4%). Also, we believe there is scope to negotiate additional power supply as Nicaragua's economy is growing at a strong rate, the country has limited alternatives for additional baseload power generation other than volatile and dirty oil-burning plants and, San Jacinto has significant additional potentially-additive acreage. In the interim, at the current dividend rate and current share price, shareholders are being paid approximately 4.3% per annum to hold the stock and management/Board have a stated intention of increasing the dividend payments over time.

Our comparison group of Canadian, publicly-traded, renewable power companies is currently trading for an average of roughly 11.8X 2018 expected EV/EBITDA and 11.2X 2019 consensus estimates. (Where EV/EBITDA is comprised of “EV”, which is Enterprise Value, which is the Company’s total debt minus excess cash plus the market value of the stock divided by “EBITDA” which is earnings before interest, taxes, depreciation & amortization). By-and-large these are companies with North American (and some Western European assets) and they each hold multiple renewable properties so they are not meant as perfect comparables to what Polaris is today (given Polaris' heavy reliance on a single operating asset in Nicaragua) but they provide a benchmark by which investors can understand what would be possible if Polaris was to effectively diversify over time and/or monetize its current asset (i.e., a buyer would be able to comfortably pay a much larger multiple than what Polaris is currently being valued for). Clearly a discount from the group of comparables is warranted but how much of a discount?

No one can say definitively what the right valuation multiple is and it is also going to be a function of go-forward interest rates as well but, we think the current valuation of about 5.4X a 72 MW run-rate EBITDA is excessively low. And, at just 7X, 8X and 9X this EBITDA level, Polaris stock would trade for $25.95, $31.19 or $36.44 per share respectively versus the current $17.50 per share. As a further benchmark, recall that last year, Alterra Power Corporation in which the Funds were shareholders, was acquired for approximately 14X this year's expected EV/EBITDA despite similarly having a meaningful amount of its assets in a non-traditional territory (Iceland).

Supporting our belief that Polaris' valuation multiple will likely creep higher is that there is a vast amount of capital chasing these sorts of assets namely pension plans/state investment entities, public operators, family offices and, retail investors all seeking steady, predictable cash flowing assets. And, we think Nicaragua's continued path towards seeking and encouraging foreign investment and Polaris' intention to diversify into other jurisdictions will likely aid this overall process.

In sum, we believe the large amount of capital seeking infrastructure/renewable power assets and the steady path that Nicaragua is on, will support a revaluation higher of Polaris' stock price.

And, with the latest drilling results in-hand, we believe Polaris will be demonstrating substantially larger free cash flow generation over the coming twelve months. Taken together these factors argue for a materially higher share price.

Great Canadian Gaming Corporation ("GC", 18.1% Current Fund Weighting)

In terms of the new Ontario opportunity set brought on by the Ontario Lottery and Gaming Corporation's ("OLG") modernization plans, GC has done better than we were expecting. Building on the Company's long term success as a premier owner and operator of physical gaming assets primarily in Canada, management clearly did an exceptional job of bidding for the ownership/operation of these various "Gaming Bundles". In January of 2016 GC's 90.5%-owned partnership acquired the East Gaming Bundle comprising the Shorelines Casino Thousand Islands, Shoreline Slots at Kawartha Downs and the new Shorelines Casino in Belleville (opened January 2017). In August 2017, GC's 49%-owned partnership (and GC is the operator of this partnership) announced that it had been selected as the successful proponent by the OLG to operate the largest OLG Gaming Bundle being the GTA Gaming Bundle and which is comprised of the OLG Slots at Woodbine, OLG Slots at Ajax Downs and the Great Blue Heron Casino. And, in December of 2017 GC's 55%-owned partnership announced that it had been selected to operate the OLG's West GTA Gaming Bundle comprising the OLG Casino Brantford, OLG Slots at Mohawk Racetrack, OLG Slots at Flamboro Downs and OLG Slots at Grand River Raceway. We believe these additions to the Company's portfolio are very material and have yet to be fully-recognized in the Company's share price.

GC's CEO is unusual in that he does not seek to actively promote the Company at every opportunity. He would rather simply host a quarterly conference call giving all investors equal access to information as it is disclosed, which we cannot find fault with. However, some analysts and institutional investors are accustomed to having more fulsome disclosure and having it available at numerous points during the quarter (for example, in one-on-one meetings with select large institutional investors in analyst-hosted sessions). And, the paucity of insight as to the likely economics for GC of the recently-acquired Ontario Gaming Bundles also has caused some uncertainty on the part of analysts and investors. However, we have taken the point of view that management here should be given credit for their past insightful capital allocation decisions - a very prominent example being the substantial share buybacks executed over the past years which, we have written extensively about and which have proven, with the benefit of hindsight now, to have been very accretive for the remaining shareholders. And, that we should give them credit for their historical financial conservatism as they have operated and, regularly give guidance that they will continue to operate with, an unlevered balance sheet. If you make the assumption that this same management is unlikely to begin overspending and you factor in the quality of their institutional partners (particularly Brookfield Business Partners L.P. vis a vis the GTA Gaming Bundle), then you can begin to make the leap of faith that the economics are likely to be very attractive. In any event, disclosures beginning with the release of the first quarter of calendar 2018, likely in early May, will begin to shed more and more light on these economics. We suspect this will allow for the stock to rerate higher.

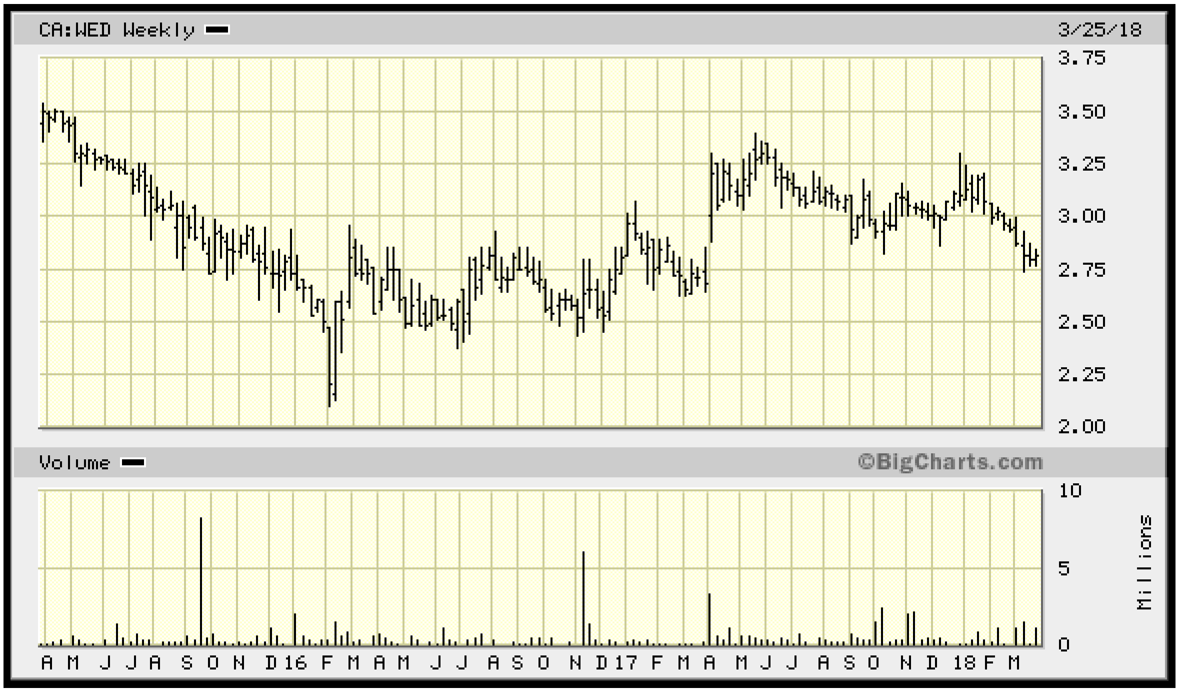
One external analyst's approach to dealing with the currently unknown economics of the GTA and West GTA Bundles is illustrative of when and how a rerating could come into play. This analyst values GC by applying a 9X EV/EBITDA multiple to his estimate for 2019 EBITDA, so 9X $242.8mm versus his estimate of current net debt of $160.3mm results in $35 per share, but he also adds in $4 per share of near term value for the GTA and West GTA Bundles (for a target price of $39 per share vs. the current $32.74 share price). If one assumes he is applying the same 9X EV/EBITDA valuation he is thus assuming these two bundles add just $27.6mm of EBITDA. But, we know from public releases that the West GTA Bundle generated $450mm in gross gaming revenues in fiscal 2017 (recall GC owns 55% of this Bundle) and in 2017 the GTA Bundle generated over $1.15 billion of gross gaming revenue (recall GC has a 49% interest in this Bundle and also acts as the Operator on behalf of the Partnership). So, GC's proportional stake in the combined gross gaming revenues of these two Bundles is about $811mm (ignoring GC's additional entitlement to management fees from being the Operator of the GTA Bundle). Across all of GC's other gaming assets (so excluding the GTA and West GTA Bundle assets), the analyst estimates GC's revenues at $664.8mm for 2019 and EBITDA of $242.8mm for an EBITDA margin of 37.3% on these non-GTA/West GTA Bundles. But for these two bundles he only implies credit for $27.6mm of EBITDA on $811mm of proportional revenues to GC or a paltry 3.4% EBITDA margin. We'll be the first to admit we have not yet been given detailed parameters as to the economics of the GTA and West GTA Bundles but we find it difficult to imagine such a discrepancy in ultimate economics.

The nature and quantum of the GTA Bundle Partnership's new credit facility we think provides a further clue as to the potential size of the opportunity at hand for GC and its partners. While the Partnership acquired the GTA Bundle for only $170mm, it has recently entered into a 5 year credit agreement providing it with an aggregate capacity of up to $1.05 billion, comprised of a $200mm revolving credit facility and an $850mm capital expenditure facility. In our opinion, a modest EBITDA-generating entity would not require such a credit facility nor would lenders lend such a large amount unless there was clear asset value and/or sufficient earnings power available to support such a loan. As the bulk of the credit facility is a capital expenditure facility we believe much future value for the GTA Partnership will stem from developing and ultimately monetizing enhanced gaming and significant non-gaming assets (but integrated in some manner to the gaming assets) such as meeting and event facilities, hotels and entertainment venues. Further, from the fourth quarter 2017 conference call, we know that, as project costs are incurred, the GTA partnership will be required by the credit facility to maintain a 35% equity interest in the amounts invested, first satisfied by cash flows generated by the business with any shortfall covered by external equity injections from the partners. And, that the GTA partnership currently anticipates that the majority of the capital required to execute its business plan and development projects will be provided by way of the credit facilities and internally generated operating cash flow. On this call, GC management, who have to our observation over the years, been very conservative as it relates to any forward-looking guidance or comments went on to say that ... *"There is a scenario here that has a decent degree of probability attached to it, that the cash flows, that are generated from the GTA partnership, could be so significant that they frankly fully fund all of the equity requirement going forward. Now I'm not trying to get in trouble here by forward-looking all this. Many, many moons have to line up and lots of good things have to happen, but that is a plausible scenario that could happen going forward here."* From the same conference call we also received the following helpful information ... *"I would say that people should look at this not like a construction loan financing. You have to remember we have a $1.15 billion gross gaming revenue-generating business, and we do believe that at the partner level, the shareholder level, there is going to be significant cash flow generated. So this is a valuable operating business today. And so I think if you come at it from our perspective, you could maybe thoughtfully make an assumption that this is a quasi-traditional loan, even though there's a very significant capital investment component to it because there is this very robust and growing business there as well, as opposed to pure greenfield where you don't have an operating business and you're loaning almost a construction-type financing or a high-yielding kind of thing. That's really not the situation that we're faced with here thankfully."*

We do recognize that recently-introduced new source-of-funds legislation in B.C., initiated on January 10, 2018, could currently be negatively impacting River Rock's (GC's very lucrative Vancouver area hotel/entertainment/gaming venue) operating performance but we suspect that such an impact will be short-lived as players adjust to the new requirements. Investors also were concerned that the new Parq Casino in downtown Vancouver, which launched in the Fall of 2017, would negatively impact River Rock but those concerns appear to have been overdone (we had found comfort in the facts that the Parq Casino is quite a distance from River Rock, that it effectively targeted a different audience and that the actual amount of added gaming capacity was not very material versus the predecessor facility).

In summary, we continue to be of the point of view that GC has a quality collection of gaming assets, some meaningful barriers-to-entry, a strong balance sheet and thus the financial wherewithal to execute on the new Ontario development opportunities and to opportunistically take advantage of any other industry opportunities that might become available and, enjoys a high return on invested capital. We believe the disclosure of operating results from new Ontario bundles during 2018 and further inevitable disclosure concerning the re-development opportunities attached to these will likely be a materially positive influence on GC's share price going forward. We believe an appropriate target price for GC stock is north of $45 per share.

The Westaim Corporation ("Westaim", 15.4% Current Fund Weighting)



Our investment thesis on Westaim and why we have made it a major holding in the Funds can be boiled down to significant upside potential and limited downside. There are essentially three components to Westaim's current asset value: the value of its 43.9% ownership stake in Houston International Insurance Group, Ltd. ("HIIG", ownership stake held through the HIIG Partnership which owns 75% of HIIG's shares and in turn Westaim owns 58.5% of the HIIG Partnership), the value of its ownership in Arena Group ("Arena", currently Westaim owns 100% of Arena Finance, 100% of Arena Origination and 51% of Arena Investors) and the value of its excess capital which is mostly invested in Arena investment strategies. As at September 30, 2017 (the December 31, 2017 results have not yet been released), Westaim's book value per share totaled $2.83 and was comprised of: HIIG $1.27 and Arena entities in total $1.56 (comprised of Arena Finance $1.28, Arena Origination $0.29 and Arena Investors $(0.01)). So, Westaim stock is trading right at book value but investors should note that book value at this stage records virtually no value for the Arena management company which, as third party/non-Westaim assets increase, has the potential for significant value to Westaim.

For the twelve months ending September 30, 2017, HIIG generated US$559mm in gross written premiums and US$262.5mm in net premiums written - the principal difference between the two being the amount that HIIG has opted to reinsure in light of HIIG managements' view that insurance rates were not yet attractive enough to retain a larger portion of its gross premiums for its own account. HIIG's extensive use of reinsurance has allowed the Company to mostly avoid losses from the numerous catastrophes that occurred in the quarter ending September 30, 2017 (think Florida/Caribbean hurricanes Irma, Maria and Harvey; earthquakes in Mexico City and California wildfires). And, at this date HIIG's stockholders' equity stood at US$333.5mm and the Company was carrying US$616.8mm in investments, cash and cash equivalents. We believe that HIIG, as a meaningful, well-recognized, U.S. specialty property & casualty ("P&C") insurer has long-term value well above book value. A review of mergers and acquisitions in the U.S. specialty P&C space support this with many occurring at multiples well above book value and the average for a group of transactions we reviewed at 1.6X book value. At 1.6X Westaim's September 30, 2017 HIIG book value the HIIG position would be worth $2.03 per Westaim share. Ongoing improvements in HIIG's underwriting results and potential strengthening in P&C pricing going-forward, brought about by the significant recent catastrophe events noted earlier, auger well for HIIG value improvement too.

In our opinion, Arena's unique and difficult-to-replicate corporate loan investment strategy has significant long term value. Originating, monitoring, ensuring compliance and, dealing effectively with any covenant breaches is difficult enough with a handful of loans but doing so at scale with an extremely diversified portfolio of loans requires a whole other level of infrastructure. That is precisely what Arena is creating and it is not something that a typical investor or even professional investor can replicate without an abundance of capital, know-how and a large, experienced team. Yet the repetitive and high risk-adjusted returns available for providing such capital in an extremely diversified manner are enormously attractive especially in an ongoing low interest rate environment.

Arena's total capital under management, including Westaim's own capital, has grown materially during the nine months ending September 30, 2017 from US$380mm to US$745mm and, we expect growth at a high rate will continue for the foreseeable future. The nature of institutional fund management is such that many large institutional capital allocators cannot or do not want to be too large a percentage of a manager's overall assets under management ("AUM") yet they typically also have minimum investment amounts that they must adhere to thus necessitating a certain minimum AUM size on the part of a prospective manager before qualifying for serious consideration. That plus of course the requirement for a long enough investment track record. So, as returns are proven and AUM gradually grind higher, at some level, an inflection point is hit whereby larger and larger allocations can be made to the Manager from larger-and-larger capital allocators thereby driving significant growth in AUM. We believe Arena is on the cusp of such an inflection point. After all, Dan Zwirn, the Founder of Arena, in his previous incarnation (i.e., D.B. Zwirn & Company, L.P.) peaked at circa US$12 billion under management. And now, with the added support of Westaim, it seems a reasonable assumption that Arena will be able to achieve similar AUM levels if not higher over time (we know that Westaim and Arena management are aspiring for even higher levels of AUM). Offsetting somewhat the pace of growth will no doubt be Arena's specialized investment strategy which by nature will take longer to deploy capital as it arrives in comparison to a traditional manager of public securities who can rapidly deploy new capital. However, in our opinion, the benefits of the strategy vastly outweigh the drawbacks.

One drawback to Westaim's Arena investment is that, as third party AUM grow to various levels, Dan Zwirn and other key Arena employees ("Zwirn et al") earn into a greater ownership and profit participation in the Arena management company thus taking some of the upside of further AUM growth away from the Westaim shareholders. We understand that it is imperative in a business such as Arena's that the key operating people receive significant equity and compensation participation to ensure long term success and so our comments here are not intended to suggest that the earn-in feature is inappropriate in any way. Currently Westaim owns

100% of the equity of the management company and is entitled to 51% of the profits and Zwirn et al at has no equity but a 49% of profits participation; between US$1 billion to <US$2 billion of AUM - Zwirn et al earn into 49% ownership but the profit participation stays as is now; between US$2 billion and <US$3 billion - Zwirn et al earn into 54.5% profit and ownership percentage and Westaim drops to 45.5%; between US$3 billion and <US$4 billion - Zwirn et al earn into a 60% ownership and profits percentage and Westaim drops to 40%; between US$4 billion to <US$5 billion Zwirn et al earn into a 67.5% ownership and profit participation and Westaim drops to 32.5%, and; above US$5 billion of AUM Zwirn et al earn into a 75% ownership and profit participation while Westaim drops to 25%.

In addition to the composition of the Board of the Arena management company, which we think protects Westaim well, there are a few good counter balancing offsets in favour of the Westaim shareholders to this Zwirn et al earn-in feature. Firstly, the earn-in feature is subject to a minimum trailing twelve months EBITDA margin being achieved by the management company each quarter. So, for example, if AUM is between US$3 billion and <US$4 billion then the trailing twelve months EBITDA margin must be at least 55% and, if it is not in any particular quarter, then Zwirn et al's ownership and profit percentages will drop down to the correct levels to match the actual EBITDA margin achieved. Our review of publicly-traded alternative fund managers (we discuss their valuations below) and their operating margins/employee costs tells us that, this level of required EBITDA margin means Arena's operating/employee compensation costs will be controlled/not out-of-hand in comparison (so it is a good check on Zwirn et al not taking too much of the economics of the venture for themselves). Another nice feature is that Zwirn et al have a requirement to buy Westaim stock in the open market each quarter - specifically, 25% of the first US$100mm of management company profit distributions to them must be used to buy Westaim stock and 12.5% of any amounts above US$100mm (with the cap on this requirement, as dictated by securities law, being so long as Zwirn et al's ownership do not exceed 19.9% of Westaim's outstanding common shares). And, should this stock purchase requirement not be met then their ownership stake in the management company will be clawed back by 1% and Westaim's increased by 1% for each twelve month period that this requirement is not met. So as a result of these conditions, we have a situation where, as Arena’s AUM climbs, Zwirn et al will be regular buyers of Westaim stock and we know that the operating profitability of the management company net of employee costs will be substantial, which is to the benefit of Westaim shareholders.

Alternative/specialty fund managers have been valued highly by public markets reflecting that they have had solid AUM growth while many traditional fund managers have been losing out to ETF strategies. Also, alternative fund managers tend to have higher fee structures so typically they generate more revenues per dollar of client AUM (including usually a performance fee aspect). Based on the valuations of other alternative fund managers, we believe Arena should be valued for approximately 10% of AUM. Thus, at US$5 billion of AUM Arena would be worth US$500mm. This amount also equates to approximately 11X EV/EBITDA, which is an approximation of the current valuations for a basket of alternative fund managers, and using a 60% EBITDA margin on what fees we think US$5 billion of AUM would generate on average for Arena. Taking 25% of this amount for Westaim's proportionate ownership yields C$1.13 per Westaim share. And, at US$10 billion of AUM the math works out to C$2.26 per Westaim share.

Now we must factor in the third component of current asset value which is Westaim's excess capital which is currently mostly managed via Arena and which as at September 30, 2017 was worth approximately $1.57 per Westaim share (though this is likely worth a bit more now). So, the upside potential we see in Westaim can be quantified as these three components taken together: C$2.03 HIIG future value + C$1.13 Arena management company value (assuming US$5 billion of AUM) + C$1.57 excess capital value as at September 30, 2017 = C$4.73 per share. And, at US$10 billion of Arena AUM, the total valuation would be $5.86 per share. [Note for simplicity we do not factor in the additional Westaim shares potentially issuable pursuant to warrants granted as per the following paragraph describing the Fairfax Financial Holdings Limited ("Fairfax") investment which would increase the shares outstanding but also bring in more capital to Westaim].

Our bullish stance on Westaim we believe is further supported by the June 2017 investment made by the well-regarded and deep-pocketed large P&C insurance holding company, Fairfax. From the press release announcing the closing of the deal*: "Fairfax has agreed to purchase, on a private placement basis, 5% interest rate preferred securities (the "Preferred Securities") in an aggregate amount of up to C$100 million, issuable in tranches of not less than C$25 million. Westaim has closed today an initial sale of Preferred Securities to Fairfax for C$50 million (the "Initial Tranche"), and has discretion until January 1, 2018 to require Fairfax to purchase all or part of the remaining 5,000,000 Preferred Securities, for up to C$50 million, with any such purchase to be completed not less than 20 business days following the giving of notice by Westaim to Fairfax. The Preferred Securities are subordinate secured securities that will mature on May 26, 2116 but may be repaid, in whole or in part, by Westaim at any time after June 2, 2022 and at any time after June 2, 2020 if the volume-weighted average trading price of its common shares (the "Common Shares") for any 10 day period prior to the date on which the applicable redemption notice is given is at least C$5.60 per Common Share. Westaim also issued 28,571,430 common share purchase warrants (the "Warrants"), each exercisable for one Common Share at an exercise price of C$3.50. The Warrants will vest proportionately based on the aggregate percentage of Preferred Securities purchased by Fairfax with an aggregate of 14,285,715 Warrants having vested today based on the closing of the Initial Tranche. Each vested Warrant is exercisable on or prior to June 2, 2022, but the expiry date will be extended to June 2, 2024 if the volume-weighted average trading price of the Common Shares for the 10 day period ending on June 2, 2022 is less than C$5.60 per Common Share. After June 2, 2020, Westaim can also elect to require early exercise of the Warrants if the volume-weighted average trading price of the Common Shares for any 10 day period prior to the election is at least C$5.60 per Common Share. Fairfax has also agreed to invest up to US$500 million in investments sourced by Westaim's affiliate, Arena Investors, LP ("Arena Investors"). Fairfax's commitment to invest an initial US$125 million with Arena Investors was triggered by its purchase of the Initial Tranche of Preferred Securities today. Subject to the satisfaction of certain conditions (including Westaim's compliance with the indenture governing the Preferred Securities), Fairfax has agreed to invest an additional US$125 million with Arena Investors upon the next C$25 million drawdown of Preferred Securities by Westaim, and an additional US$250 million upon the final C$25 million drawdown of Preferred Securities by Westaim. The proceeds from the Private Placement will be used by Westaim for potential acquisitions and for general corporate purposes. Fairfax will have the right to nominate one director to the board of directors of Westaim as long as it owns, directly or indirectly, 5% of all outstanding Common Shares* *(determined on a partially diluted basis). If the Warrants are fully exercised, Fairfax would own approximately 16.6% (9.1% if only the Warrants which vested today are exercised) of the issued and outstanding Common Shares (calculated based on the number of Common Shares issued and outstanding today being 143,186,718 and assuming the exercise in full of the Warrants). Prior to the transactions described above, Fairfax did not own any securities of Westaim."*

The Fairfax investment accomplishes three worthwhile things for Westaim: 1. It provides further third party, respected validation for Arena's specialized investment management services (and from a major insurance holding company with a reputation as a savvy investment organization which is especially good as insurance companies are prime potential customers for Arena), 2. It provides knowledgeable insurance industry validation that HIIG is a solid P&C asset (note that Fairfax has been an active acquiror over the years of specialized P&C companies) and, 3. Should Westaim find a third platform investment to make, it has access to capital from Fairfax (we assume that Fairfax will be willing to provide more capital on the same or similar basis despite the expiry date on the above deal already passing).

All-in-all, we feel that Westaim's downside is contained given its lack of leverage, strong excess capital base and high quality asset portfolio. And, we feel we have a shot at meaningful upside as HIIG and Arena perform to expectations. We should note too that there are various levers management could pull at any time that would help enhance future shareholder returns such as a meaningful share buyback should the stock price stay so depressed.

Respectfully submitted,

Peter Puccetti, CFA
Chief Investment Officer
Goodwood Inc.

March 29, 2018

GOODWOOD CAPITAL FUND
2017 Annual Report

To the Unitholders of Goodwood Capital Fund:

For the year ending December 31, 2017, the Goodwood Capital Fund's (the "Capital Fund") net asset value ("NAV") per Class "A" unit increased **+4.5%** while the NAV per Class "F" unit increased by +**5.6%.** The S&P/TSX Composite Total Return Index ("TSX") increased +9.1% and the S&P/TSX SmallCap Total Return Index ("SmallCap Index") increased +2.8% in the same period.*

From December 23, 1999 (commencement of the offering of the Capital Fund Class "A" units) through to December 31, 2017, the Capital Fund has returned **+4.6%** per annum net versus the TSX's per annum increase of +**6.3**%.

No distributions were paid on December 31, 2017.

The Capital Fund's 2017 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 11 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 29, 2018

* 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. 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. 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
2017 Annual Report

To the Unitholders of the Goodwood Milford Fund:

For the year ending December 31, 2017, the Goodwood Milford Fund's (the "Fund") net asset value ("NAV") per "Class S" unit increased by **+3.6%.** The S&P/TSX Composite Total Return Index ("TSX") increased by +9.1% in the same period. The FTSE TMX Canada Universe Bond Index returned +2.5% in 2017. A new RRSP eligible version of the Fund, the Goodwood Milford Fund Trust was launched in May 2017 and increased **+0.2%** for the period beginning May 31, 2017 (the date on which Class "A" units were first sold).

From January 1, 2006 (commencement of the offering of the Fund Class "S" units) through to December 31, 2017, the Fund has returned **+13.5%** per annum net (after all fees) versus the TSX's per annum return of 6.1%.

The Fund's 2017 audited financial statements are attached for your review.

During 2017 (based on month end figures), the Fund averaged a **152.1%** 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 **173.7%** invested, composed of **160.9%** long and **12.8%** short, leaving a "net market exposure" (i.e., longs minus shorts as a percentage of the Fund's equity) of **148.1%**. At the other extreme, the Fund was **110.6%** invested, or **110.1%** long and **0.5%** short for a net market exposure of **109.5%**.

The Fund's investment focus is on creating investment return from income generating fixed income securities and capital gains 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.

[*] 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 above are calculated for the founding Class of Units for the Goodwood Milford Fund LP - Class S Units. The Goodwood Milford Fund Trust was launched in May 2017 and has the same investment strategy as the Goodwood Milford Fund LP. Other class or series, including the Goodwood Milford Fund Trust may charge different fees and/or have different holdings and therefore returns between classes and Funds 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 and other important information. In addition, performance data represents past performance and is not 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 Limited Partnership ("the Fund") and the RRSP eligible version of the Fund, the Goodwood Milford Fund Trust (hereinafter referred to as "the Funds" or "Goodwood Milford Funds") are yield-oriented investment funds which seek to maximize capital appreciation and income by investing primarily in Canadian corporate bonds and to a lesser extent divided paying equity securities. Both Funds currently offer a quarterly distribution of 4% on an annualized basis. To achieve its income goals the Funds invests in the following asset classes: fixed income including corporate bonds, high yield bonds, government bonds, preferred shares and equities. The Funds have a flexible investment strategy which may include the use of other investment techniques such as leverage, to increase yield and short selling to protect capital. Within the fixed income segment of the portfolio the Funds have the ability to shift the risk/reward profile by allocating investments between government bonds and higher yielding, lower rated bonds. The investment strategy has historically been focused on the corporate bond sector as the Manager is attracted to the higher coupons available. The Manager also uses a value approach, similar to other Goodwood Funds, where fundamental bottom-up analysis is used to identify opportunities to generate capital gains by selecting securities which we believe will improve in credit quality from any combination of improving business fundamentals, equity deleveraging, sales of subsidiaries or assets, mergers and credit rating upgrades.

The Fund generated a net 3.59% return in 2017 (after all fees) outperforming the iShares Core Canadian Universe Bond ETF and the iShares Canadian Corporate Bond ETF which generated 2.34% and 2.92% respectively.

Comments on Fund Asset Classes

Investment Grade Corporate Bonds

Investment grade bonds exhibited an up/down/up return profile over the course of the year. We saw a strong bond rally in the first half of 2017 as Canada's economic growth was weak while US President Trump was facing extreme difficulty passing legislation. The bond market rally in Canada came to a halt in May when the Bank of Canada signaled that the Canadian economy had accelerated into a period of rapid growth in GDP and employment. The Bank of Canada followed up in July with its first 0.25% rate hike since 2010. The subsequent sell off in bonds erased most of the gains for the year. The Bank of Canada raised rates another 0.25% in September. Bonds rallied in the last quarter, through October and November as a result of very slow increases in the level of inflation in Canada and concerns over the uncertain outcome of the NAFTA negotiations. In the US, fixed income markets experienced three separate 0.25% rate hikes in March, June and December.

Corporate spreads tightened consistently throughout 2017 leading the outperformance of credit as corporate spreads were supported by relatively strong equity markets. Strong equity markets created an impetus for credit enhancing events such as deleveraging from the proceeds of equity issues, M&A activity, and subsidiary and asset sales. The iShares Canadian Corporate Bond ETF outperformed the iShares Core Canadian Universe Bond ETF by 0.58% in 2017.

The Goodwood Milford Fund's monthly returns were less volatile than the indices through the year as we carried a reasonable sized short government bond position in the first half of 2017. This was a continuation of the short position we held through the Fall of 2016. While this hurt Fund performance in the early months of 2017, it also limited downside and hedged the portfolio in the sell-off that started in May. We covered most of the short position in the Fall of 2017 to participate in the bond market rally.

High Yield Bonds

High Yield bonds in Canada generated modest returns in 2017 primarily earning their coupon income which on average was in the 5% range (for comparison purposes, the Bank of Canada 10-Year Bond generates less than 2% annualized yield-to-maturity). In the current interest rate environment, this more than pulled their weight in terms of return contribution and as one of the strongest contributors to returns in 2017. In Canada, the FTSE TMX Canada Universe Corporate BBB Index generated a return 3.99%. In the US, the benchmark high yield ETF, iShares iBoxx $ High Yield Corporate Bond ETF, generated a 2017 return of 6.09%. In Canada, capital gains tended to occur when bonds were called in at a premium for the purpose of being refinanced. The Goodwood Milford Funds held Gateway Casino & Entertainment Limited 8.5% due November 26, 2020 and Wajax Corporation 6.125% due October 23, 2020 that were both called at a premium to market values. High yield bonds that performed well in 2017 included Mattamy Homes Limited 6.5% due October 1, 2025, Parkland Fuel Corporation 5.625% due May 9, 2025 and TransAlta Corporation 4.5% due November 15, 2022. In the "Comments on Goodwood Milford Funds Portfolio Holdings" section below we discuss the investment attributes of a specific high yield bond issue the Funds are invested in, Superior Plus's 5.25% bond due February 27, 2024.

Preferred Shares

Preferred shares experienced gains in 2017 as the market slowly recovered from setbacks in 2015 and 2016. Preferred shares did well when the bond and equity markets rallied in the Fall of 2017. The preferred share market was active with a number of new issues. Importantly for the Fund a new type of preferred - the minimum rate reset preferred – continued to be issued by a number of companies. We discuss the investment attributes of a preferred issue the Fund purchased, Pembina 4.9% Series 21 preferred shares in the "Comments on Goodwood Milford Funds Portfolio Holdings" section below.

Equities

Long Equities

Equities provided a strong contribution to the Fund's positive annual return as equity markets in Canada and the US were solid performers in 2017. The S&P/TSX Composite Total Return Index was up 9.10% in 2017 and the Dow Jones Industrial Average was up 25.08%. The US experienced higher equity gains as talk of President Trump's potential tax reforms increased in the Fall and were implemented in early 2018 fuelling a large equity market rally. In Canada, the gains were lower as oil prices were range bound and returns were impacted by the uncertain outcome of NAFTA negotiations.

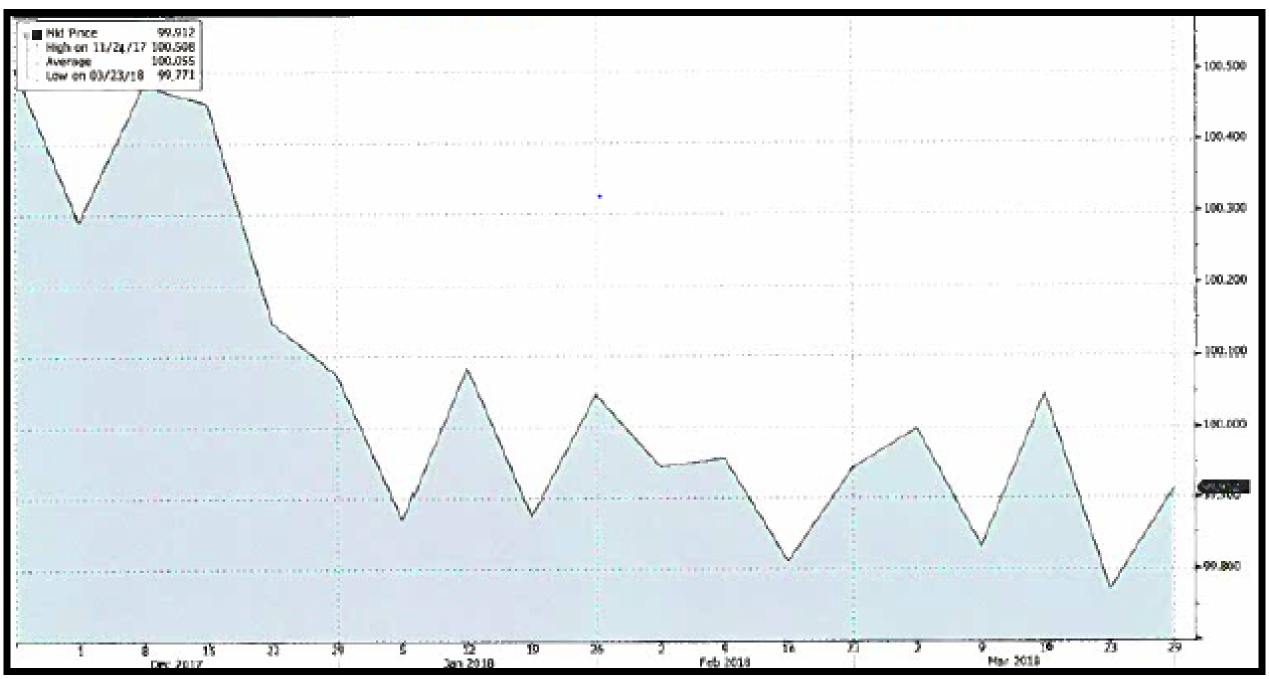
The Goodwood Milford Funds generated gains in a number of equity positions in both Canada and the US. Highlights include strong gains in Jamieson Wellness Inc. (TSX:JWEL), a new listing in the vitamin and health products space, Polaris Infrastructure Inc. (TSX:PIF), a Nicaragua based geothermal power producer, and StorageVault Canada Inc. (TSXV:SVI), a REIT in the Canadian self-storage industry.

Short Equities

The short equity segment of the Fund was the weakest contributor to performance. Short equity portfolio weightings throughout 2017 were low by our historical standard because we found few attractive short sale candidates that met our investment criteria. We had more success shorting Province of Ontario and Government of Canada bonds in the Funds as described in the section below.

<u>Comments on Goodwood Milford Funds Portfolio Holdings</u>

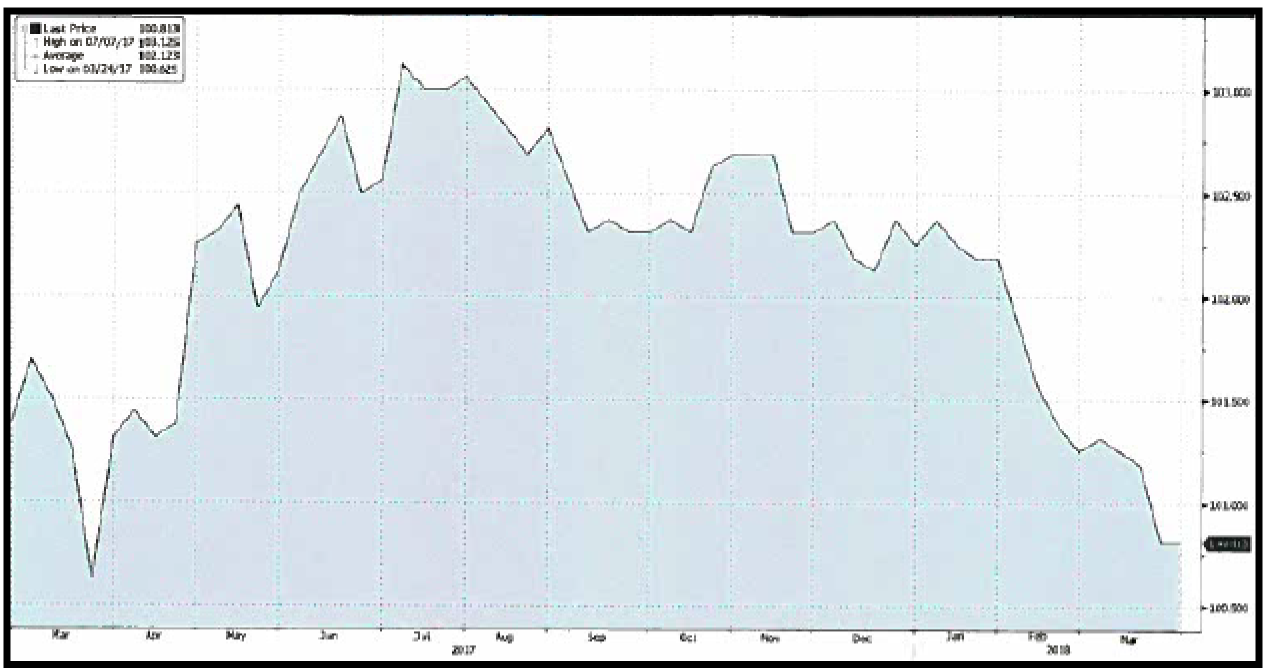
SNC Lavalin 2.689% due November 24, 2020 ("SNC", 1.4% Current Fund Weighting)



SNC is one of the largest engineering and construction firms in the world. The company has a current market capitalization of approximately $9.9 billion. Its debt securities are rated BBB by both Standard & Poor's ("S&P") and DBRS. SNC has changed its management team and a number of corporate practices since the 2012 widely reported revelations of improprieties in its bidding processes that were uncovered in Libya with projects that involved members of the

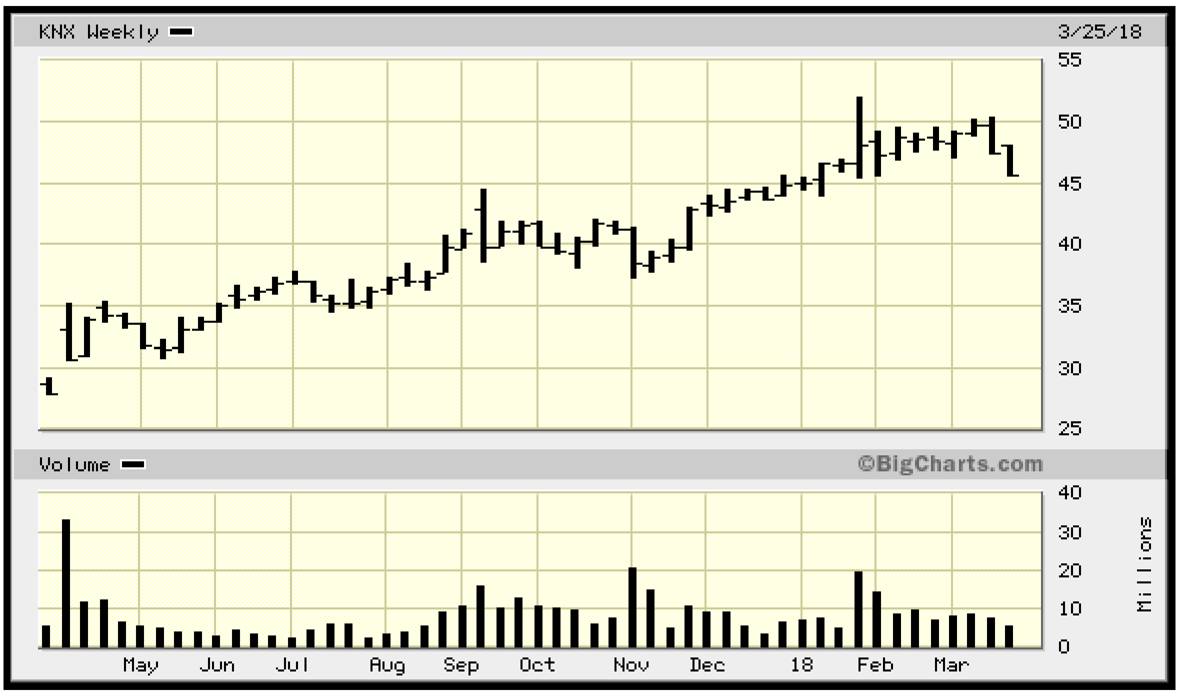
Gaddafi family. Similar charges were later uncovered in relation to contracts for the construction of the McGill University Health Centre in Montreal. This tarnished period of the Company's history seems to be behind it and the Company is gaining market share and regaining investors' confidence. SNC is benefiting from an increase in infrastructure spending around the globe which is driving increased profitability and an increased backlog of work to complete in future years. In 2017 the company successfully integrated a major $3.6 billion M&A purchase of WS Atkins Plc, a British engineering firm that expands SNC's scale and scope in Europe, the Middle East and Africa. From a credit perspective we like SNC's improving profitability and valuable portfolio of infrastructure assets. The largest in terms of value is a 17% equity ownership in the Highway 407, a toll highway in the GTA. SNC owns 14 other similar assets. Each of these assets is a potential source of liquidity especially since infrastructure assets have emerged as an investment class for pension funds.

Superior Plus Corp. 5.25% due February 27, 2024 ("Superior Plus", 4.4% Current Fund Weighting)



Superior Plus' fixed income securities represent a strong investment opportunity in the high yield sector. We feel the 5.25% coupon is attractive in the current market and the issue has good liquidity with $400mm outstanding. Superior Plus' credit ratings are BB by S&P and BB (High) by DBRS. The company operates in two sectors, energy distribution and specialty chemicals. The energy distribution business is primarily propane distribution in Canada and the North-eastern US. Superior Plus is the largest propane distributor in Canada and this division comprises over 60% of the company's 2017 EBITDA of $330mm. The propane distribution generates attractive levels of free cash flow. The industry typically grows at a rate equal to the rate of GDP growth in the economy. The second division is specialty chemicals which are primarily sodium chlorate products in North America and Chile and chlor-alkali in North America. Sodium chlorate is used for bleaching in the pulp and paper industry and chlor-alkali is used in the oil and gas industry. The specialty chemicals division is more cyclical and the industry is experiencing cyclical upswing as a result of growth in the economy. We believe both divisions offer attractive acquisition opportunities. The Company has used acquisitions as its main growth vehicle and has been very effective at achieving cost savings synergies by bringing smaller competitors onto its larger platform.

Knight-Swift Transportation Holdings Inc. ("Knight-Swift", 3.5% Current Fund Weighting)

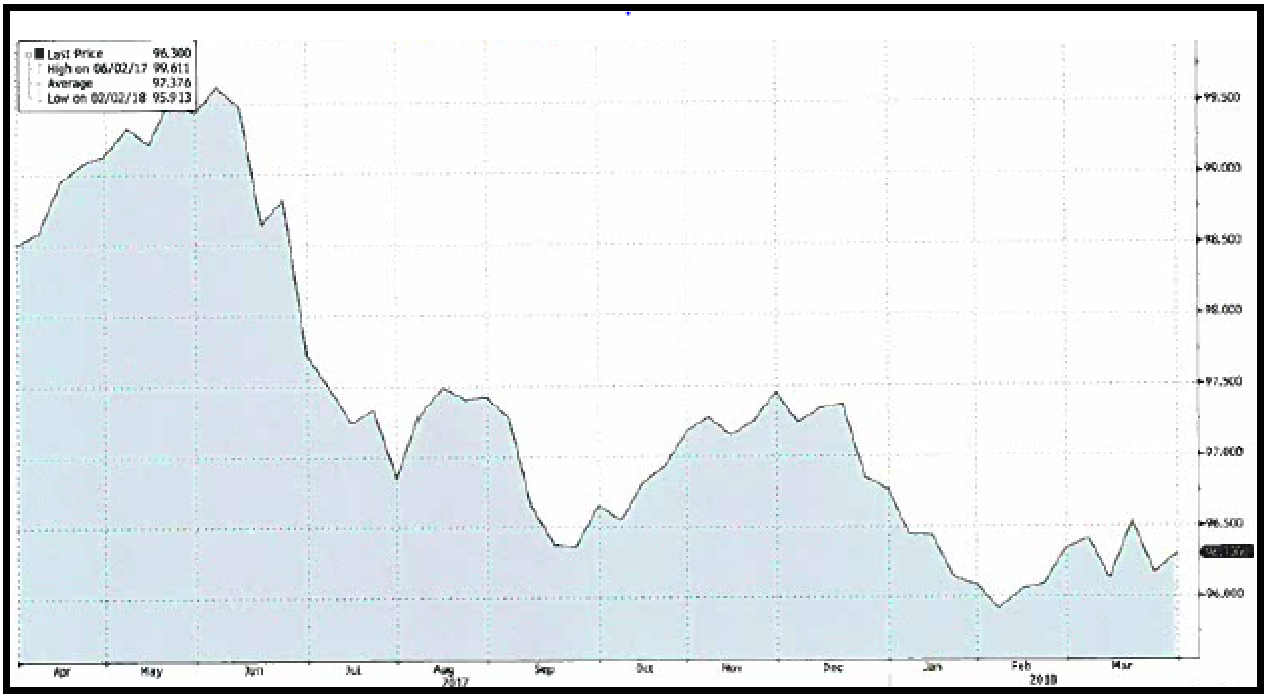


Knight-Swift is the largest truckload carrier in the US and was formed with the 2017 merger of Knight Transportation, Inc. and Swift Transportation Company. The market cap of the new entity is currently approximately US$8.8 billion. The new company has an extensive reach of terminals and equipment across the US. We purchased equity at US $41.50 per share in October, 2017 believing that there were two significant tailwinds that could result in a higher stock price. The first is the economic recovery in the US that is leading to larger volumes of freight shipped and higher operating ratios and pricing for the trucking industry. The Cass Freight Index shows a steady improvement in shipments for 2017 over 2016. More significantly the Cass Truckload Linehaul Index, which measures per mile truckload linehaul rates, shows a sharp increase in pricing in 2017 for the trucking industry. The second is that the new company is projecting over US$150mm of annual cost savings synergies which can be achieved by 2019 through merging the two companies. Knight-Swift expects to achieve US$100mm of synergies in 2018. The new merged company's first combined financial release was Q4 2017, where a 33% increase in operating income was reported compared to what the two combined companies would have reported in Q4 2016. The Company noted that as a result of the strong economy average revenue per truck has increased over 12%.

Pembina Pipeline Corporation 4.9% Class 21, Preferred Share ("Pembina", 1.0% Current Fund Weighting)

In 2017 we saw more minimum rate reset preferred shares being launched in the market. With these types of securities, investors receive a reset coupon every five years and in addition a commitment from the issuer that the reset coupon can never be lower than the original issue coupon. We find this type of preferred share attractive as they tend to maintain a par value of approximately $25 per share. In November 2017, Pembina issued these type of preferreds with a minimum coupon reset of 4.9%. The preferreds are rated P-3H by S&P and Pfd-3 by DBRS. We find the Pembina credit attractive as they are one of Canada's largest mid-stream natural gas liquids (NGL) handlers in Alberta. Pembina has a current market cap of approximately $20.7 billion. Pembina dramatically increased the scale of their operations with the 2017 acquisition of Veresen Inc. The acquisition brought a number of mid-stream fractionation plants and associated pipelines plus a 50% interest in the 3,848 km long Alliance pipeline system which runs from Northern British Columbia to Chicago and is one of the main export routes for Canadian natural gas. Pembina has a number of expansion projects available to it in the mid-stream sector. Pembina's long term opportunities include analysing the viability of a world scale propane polymer chemical manufacturing facility in Alberta in a venture with the Kuwait Petroleum Corporation.

Province of Ontario 1.35% due March 8, 2022 – Short Sale (2.5% Current Fund Weighting)



We shorted the Province of Ontario 1.35% due March 8, 2022 in the Funds as both an interest rate hedge and a potential capital gains opportunity from spread widening over the equivalent term Government of Canada bond. As an interest rate hedge this bond is effective due to its low coupon of 1.35% which results in a low cost of borrowing. Interest rates in Canada rose in 2017 as Canada experienced a burst of strong GDP in Q2 and Q3. In July, the Bank of Canada ended a seven year period of low rates with a 25 basis point hike from 0.50% to 0.75% followed by another 25 basis point hike in September which brought the overnight rate to 1.0%. In January 2018, the Bank of Canada increased the rate a further 25 basis point to bring the overnight rate to 1.25%. During this period of rising rates, being short this bond generated capital gains which helped offset price declines in equivalent term long securities.

Thank you for your interest and support in 2017, we look forward to 2018.

Respectfully submitted,

Chris Currie, CFA
Portfolio Manager
Goodwood Inc.

March 29, 2018

	Goodwood Fund	Goodwood Capital Fund	Goodwood Milford Fund LP	Goodwood Milford Fund Trust
Strategy:	Long/Short fundamental bottom-up value oriented	Long-only fundamental bottom-up value oriented	Long/Short fundamental corporate credit with equity overlay	Long/Short fundamental corporate credit with equity overlay
Exposure:	North America	North America	North America	North America
Valuation/Liquidity:	Weekly & Monthly	Weekly & Monthly	Weekly & Monthly	Weekly & Monthly
Fund Type:	Mutual Fund Trust	Mutual Fund Trust	Limited Partnership	Unit Trust
Inception Date:	October, 1996	December, 1999	January, 2006	May, 2017
RRSP Eligible:	Yes	Yes	N/A	Yes
Prime Broker/ Custodian:	National Bank Independent Network (NBIN Inc.)	National Bank Independent Network (NBIN Inc.)	National Bank Independent Network (NBIN Inc.)	National Bank Independent Network (NBIN Inc.)
Trustee/ General Partner:	Computershare Trust Company of Canada	Computershare Trust Company of Canada	Milford Capital Management Partners Inc.	Caledon Trust Company
Fund Accounting:	CommonWealth Fund Services Ltd.	CommonWealth Fund Services Ltd.	CommonWealth Fund Services Ltd.	CommonWealth Fund Services Ltd.
Auditor:	KPMG, LLP	KPMG, LLP	KPMG, LLP	KPMG, LLP
Legal Counsel:	Borden Ladner Gervais, LLP	Borden Ladner Gervais, LLP	Borden Ladner Gervais, LLP	Borden Ladner Gervais, LLP
FundSERV Code:	Class B – GWD022 Class F – GWD222	Class A – GWD001 Class F – GWD004	Available Upon Request	Class A – GWD600 Class F – GWD601 Class AD – GWD602 Class FD – GWD603

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