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**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

This annual management report of fund performance contains financial highlights but does not contain either the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 416-203-2022 or by writing to us at Goodwood Inc., 75 Navy Street, Suite 403, Oakville, Ontario, L6J 2A1 or by visiting our website at [www.goodwoodfunds.com](http://www.goodwoodfunds.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

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

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

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

### ***Risk***

The risks associated with investing in this Fund remain as discussed in the Simplified Prospectus dated June 2, 2022. The Fund continues to be suitable for those investors with a medium to high risk tolerance and who plan to invest for the long term.

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

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

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

The Fund's net assets decreased by 17.3% for the 12-month period ended December 31, 2022 from \$6.397 million at January 1, 2022 to \$5.292 million at December 31, 2022. The decrease in net assets over the period is attributable to negative annual Fund investment performance for the year.

For the year ended December 31, 2022, Class A units of the Fund returned -37.51% and Class F units returned -36.80%. The Fund's performance is net of all fees and expenses. Please also refer to *Past Performance section*.

As at December 31, 2022, the Fund was 69.5% invested, with the Fund holding 33 investments across 9 industry sectors. The Fund had 66.9% of the portfolio invested in publicly listed North American equity securities, 2.6% in private securities (i.e., companies that do not have quoted prices in active markets) and 30.5% in net cash. During the period, the Fund's month-end net cash levels fluctuated between 0.9% and 30.5%. The increase in net cash as at the end of the year was a result of new subscriptions into the Fund during the month of December, 2022.

During 2022, the Fund initiated positions in several publicly traded North American Real Estate Investment Trusts and the Fund sold or reduced exposure to certain other Canadian equities during the period that no longer had attractive growth prospects in the portfolio manager's view.

## ***Results of Operations Continued...***

As the Fund has a growth bias, it continues to invest in businesses that we believe have the potential to deliver strong revenue growth, supported by an industry with secular growth potential, all the while maintaining a prudent level of profitability and balance sheet liquidity.

For fiscal year 2022, the key factors that impacted the Fund's performance were rising interest rates, flight to safety by investors and liquidity constraints on the Fund's holdings.

As discussed in previous Fund commentaries, we believe a rapid rise in interest rates have a disproportionately higher impact on long duration assets – both fixed income and equities. For equities, it's companies that tend to be of higher growth with a large portion of their earnings in outer years and where a significant portion of their intrinsic value is in the terminal value of business. As interest rates rose through 2022, there was a corresponding rise in discount rates used to discount the future cash stream of cash flows, which led to a reduction in the Net Present Value of said assets. Given the Fund has a bias towards high growth names which tend to target revenue and market share growth, at the expense of near-term profitability, the Fund's holdings experienced an above average compression in the multiple investors were willing to pay for the company's future earnings.

2022 also saw significant increase in risk premiums applied to risk assets and more importantly a significant shift in investor sentiment/psychology. There was significant internal rotation within equities as investors shifted from growth to value. Investors no longer wanted future cash flows; they wanted cash flows today. Investors also started to focus on the balance sheet and funding conditions for businesses. We believe investors significantly high-graded their portfolios in anticipation of an economic recession and wanted to weather the storm in more stable mature businesses. This led to significant selling pressure across the Canadian small cap/venture sector including companies the Fund invests in which, coupled with AUM liquidations among small cap investors, created significant selling pressure on small cap growth stocks which negatively impacted share price.

## ***Recent Developments\****

One of the key strategies of the Goodwood Capital Fund is the opportunistic allocation the Fund can make to private investments. We note however there are regulatory restrictions on the amount of illiquid securities the Fund may hold. At Goodwood, we have the unique ability to source and invest in private investments and have a long and successful track record of doing so. We intend to continue to prudently allocate capital to private investments within the Fund's investment parameters when we identify investment opportunities with exceptional return potential that more than compensates us for the additional risk and lack of liquidity inherent in private investments. The Fund currently has approximately 8.8% of its net asset value invested in private or restricted securities. In addition, the Fund continues to hold a position in Securities of Virginia Black LLC, a US private company. As at December 31, 2022 the position was carried at a fair value of \$Nil. To date, the Company has failed to re-pay any of the Note including accrued and unpaid interest. Goodwood has issued notice of default to the Company and continues to work to negotiate an extension agreement with the Company.

## ***Outlook***

While 2022 was a painful year for the Fund's performance, the future benefit is that valuations and expectations have been materially reset. If the Fund's holdings execute on their business plans as we anticipate, we believe this may create significant upside to the Fund's performance going forward.

## **Recent Developments Continued\*...**

We continue to identify investments with unique value propositions, that can execute on a well-crafted business strategy, and operated by management teams with the capability to create long term shareholder value.

From a macro perspective, our views are as follows:

- Inflation – has peaked and is trending down. However, we think getting inflation from 8% to 4% is the “easy” part. Getting inflation from 4% to 2% is likely going to be much more difficult and painful.
- Interest Rates – we believe both Canadian and U.S. Central Banks are nearing the end of their respective hiking cycles. We also think both Central Banks are likely to keep rates higher for longer unless something “breaks” in the economy/system.
- Economy – we are shockingly surprised by how strong the economy has held up. While there is a lag affect between monetary policies and their economic impacts, we are surprised that we have yet to see any material impact in the broad based economy. There are pockets of the economy under stress (e.g., technology, housing, etc.) but it has yet to become pervasive throughout the economy. Common sense and logic would dictate that you can’t go from a decade of low interest rates on an over levered economy to the fastest hiking cycle in history and not expect significant consequences. We think we will see these consequences play out, it just appears to be taking longer than we expected.
- Labour Market – continues to be very strong, but again, we think it’s just a matter of time before cracks appear here. Canada and US also have different structural labour market dynamics, primarily due to immigration policies, which we believe will have an impact on central bank policy.
- Divergent Central Bank Policies – if our thesis is correct, Canada will hit their peak rates sooner vs their U.S. counterparts, and will also cut interest rates first. Primarily due to the higher levels of leverage in the Canadian economy and the shorter duration of this leverage.

The net of it all, we believe the risk-reward skew is heavily tilted towards risk and as such we continue to be defensively positioned in the Fund coming into 2023.

## **Other**

The Fund did not undergo any other material changes during the reporting period, including, but not limited to, its strategic positioning, Manager or portfolio adviser, or accounting policies. With regard to the composition of its Independent Review Committee (“IRC”), one IRC member, Edna Chu resigned as a member of the Goodwood IRC effective December 31, 2022. As a consequence of the vacancy, Neil Gross was appointed to the IRC as her replacement on January 16, 2023 for a period of three years with effect from January 1, 2023.

\*Information the recent development section may contain forward-looking statements which reflect the Manager’s expectation regarding the Fund’s future performance and opportunities. Forward-looking information requires the Manager to make assumptions and is subject to inherent risks and uncertainties. No assurances can be made that such matters will prove to be correct. Actual results may vary materially.

## ***Related Party Transactions***

### Management Fees

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

### Brokerage Commissions

Total brokerage commissions paid by the Fund during the year ended December 31, 2022 were \$5,197 and commissions on corporate finance transactions amounted to \$8,960. Therefore, total commissions directed by the Fund in 2022 were \$14,157. Out of this amount, gross commissions paid to the Manager for acting as broker in respect of portfolio transactions for the Fund during the year were approximately \$4,337.

### Other

Principals of Goodwood Inc. may, from time to time, accept officer positions and/or directorships and/or provide services to or have other relationships with companies unrelated to Goodwood Inc., including issuers in which clients are invested. In this circumstance, that company would be considered under relevant securities law to be a “connected issuer” to Goodwood Inc. We maintain a list of these companies on our website at [www.goodwoodfunds.com](http://www.goodwoodfunds.com) and have adopted policies and procedures to address conflicts of interest with respect to these relationships. This list may change from time to time, therefore the Manager recommends that investors refer to the website frequently and before making additional purchases of units of the Fund. Currently, MV Realty Holdings, LLC (“MVR”) Goodwood MVR Investors, Inc. are considered connected issuers to the Manager. 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 Inc. entered into a 5 year Consulting Agreement with Medexus Pharmaceuticals Inc. first dated October 16, 2018 and 3 year Consulting Agreement with MVR dated August 1, 2020. Goodwood may also provide services to other issuers in which clients are not invested.

From time to time the Manager, certain officers, directors and key personnel of the Manager, or an affiliate of the Manager, may in the future provide services to and receive compensation from other issuers in which the Fund is invested. It is the policy of Goodwood to make appropriate adjustments to the fees charged by it to the Fund where the fees or other compensation is received directly from issuers in which the Fund is invested. Total fee rebate paid to the Fund during the year ended December 31, 2022 was approximately \$381.

## Financial Highlights, Ratios and Supplemental Data

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the twelve-month period ending December 31, 2022 and the past five years ending December 31.

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

	2022		2021		2020		2019		2018	
	Class A	Class F	Class A	Class F	Class A	Class F	Class A	Class F	Class A	Class F
Net Assets, beginning of year	\$25.04	\$16.99	\$26.59	\$17.84	\$16.17	\$10.73	\$15.72	\$10.31	\$18.12	\$11.75
Increase (decrease) from operations:										
Total revenue	0.28	0.20	0.31	0.21	0.12	0.04	0.29	0.19	0.33	0.22
Total expenses	(0.95)	(0.48)	(1.17)	(0.58)	(0.86)	(0.47)	(0.74)	(0.37)	(0.82)	(0.41)
Realized gain (loss) on investments	1.90	1.11	2.99	2.06	10.21	10.94	1.46	0.78	0.21	0.16
Unrealized gain (loss) on investments	(11.22)	(6.44)	(3.70)	(2.55)	0.29	0.18	(0.39)	(0.00)	(2.08)	(1.40)
Total increase (decrease) from operations <sup>2</sup>	(9.99)	(5.62)	(1.58)	(0.87)	9.75	10.69	0.61	0.60	(2.35)	(1.43)
Distributions:										
From dividends	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
From capital gains	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions <sup>3</sup>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Assets, end of year	\$15.65	\$10.74	\$25.04	\$16.99	\$26.59	\$17.84	\$16.17	\$10.73	\$15.72	\$10.31

<sup>1</sup> For the period ended December 31, 2022 and years ended December 31. The information for each December 2022, 2021, 2020, 2019, and 2018 is derived from the Fund's audited annual financial statements prepared in accordance with IFRS. The net assets per unit presented in the financial statements may differ from the net asset value calculated for fund pricing purposes.

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

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

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

	2022		2021		2020		2019		2018	
	Class A	Class F	Class A	Class F	Class A	Class F	Class A	Class F	Class A	Class F
Total net asset value (000s) <sup>1</sup>	\$ 1,615	\$ 3,676	\$ 3,773	\$ 2,623	\$ 4,165	\$ 3,118	\$ 3,374	\$ 1,216	\$ 4,426	\$ 1,718
Number of units outstanding <sup>1</sup>	103,229	342,421	150,687	154,433	156,630	174,803	208,619	113,361	281,634	166,709
Management expense ratio <sup>2</sup>	4.78%	3.68%	4.02%	2.87%	4.85%	3.62%	3.94%	2.81%	3.65%	2.51%
Management expense ratio before waivers or absorptions	4.78%	3.68%	4.02%	2.87%	4.85%	3.62%	3.94%	2.81%	3.65%	2.51%
Trading expense ratio <sup>3</sup>	0.12%	0.12%	0.29%	0.29%	0.40%	0.44%	0.52%	0.55%	0.74%	0.75%
Portfolio turnover rate <sup>4</sup>	43.24%	43.24%	54.47%	54.47%	95.97%	95.97%	117.32%	117.32%	124.35%	124.35%
Net assets value per unit	\$ 15.65	\$ 10.74	\$ 25.04	\$ 16.99	\$ 26.59	\$ 17.84	\$ 16.17	\$ 10.73	\$ 15.72	\$ 10.31

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

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

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

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

## MANAGEMENT FEES

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

The management fees for the year ended December 31, 2022 were \$69,482. Please refer to *Related Party Transactions - Other* on page 4.

For the year ended December 31, 2022, approximately 67% of the total management fee revenue received from the Fund was attributable to management and investment management services. The balance of these fees was used to pay dealer compensation costs on Class A units.

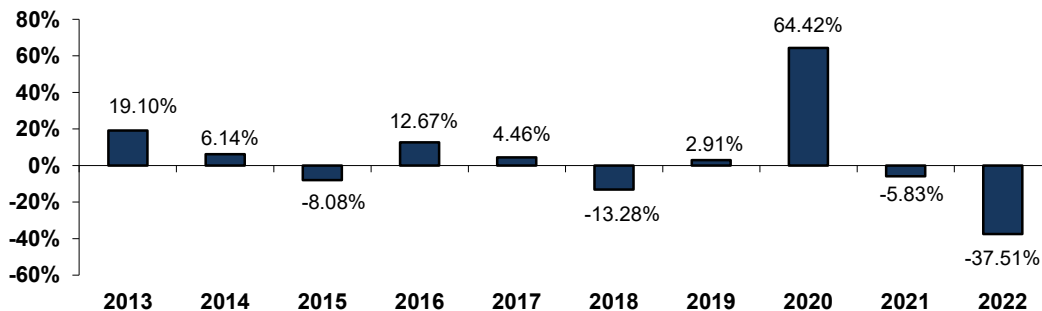
## PAST PERFORMANCE

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

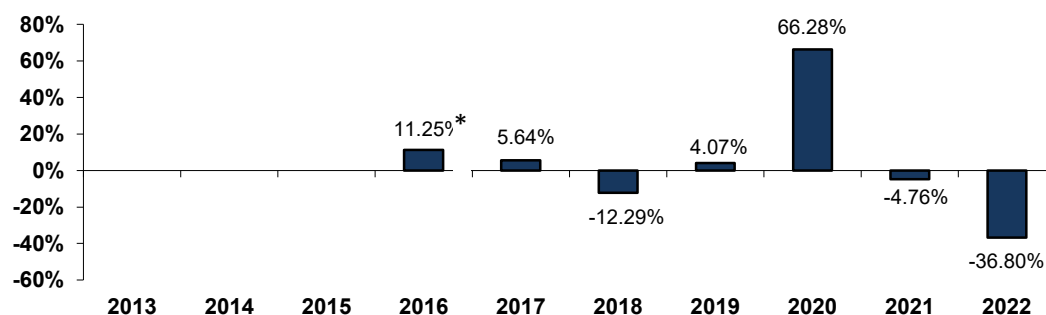
### Year-by-Year Returns

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

#### Class A



## Class F



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

## Annual Compound Returns

The below table shows the historical annual compound total return of Class A and Class F units of the Fund for the indicated periods ended December 31 as compared to the broad market performance of the: (i) S&P/TSX Composite Total Return Index (ii) S&P/TSX SmallCap Total Return Index and (iii) S&P/TSX Venture Composite Index. The proportion of assets of the Fund invested in any particular market capitalization will vary and may include a large portion invested in small-cap issuers. Class F units have been distributed since July 8, 2016 and therefore, annual compound returns for that class for the 10 year period is not available. Annualized return for Class F units since inception (July 8, 2016) to December 31, 2022 is 1.10%.

Compound Return (%)	1 Year	3 Year	5 Year	10 Year	Since Inception
Goodwood Capital Fund - Class A	-37.51%	-1.09%	-2.89%	1.68%	2.92%
Goodwood Capital Fund - Class F	-36.80%	0.03%	-1.79%	-	1.10%
S&P/TSX SmallCap Total Return Index	-9.29%	7.19%	3.14%	4.23%	-
S&P/TSX Composite Total Return Index	-5.84%	7.54%	6.85%	7.74%	-
S&P/TSX Venture Composite Index	-39.28%	-0.42%	-7.69%	-7.33%	-

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

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

**S&P/TSX Venture Composite Index** is a broad market indicator of Canadian micro cap securities in Canada. The index is market capitalization weighted and includes Canadian companies that do not meet the criteria to be listed on the Toronto Stock Exchange



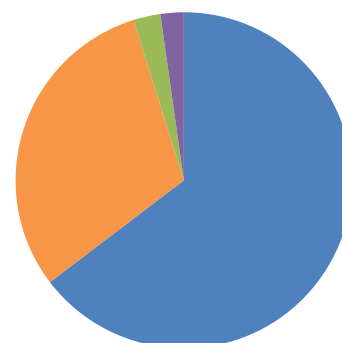
## SUMMARY OF INVESTMENT PORTFOLIO AS AT DECEMBER 31, 2022

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

Canadian Equity	64.6%
Net Cash	30.5%
Other	2.6%
US Equity	2.2%

100.0%

**Total Net Assets: \$ 5,291,774**



■ Canadian Equity ■ Net Cash ■ Other ■ US Equity

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

1	Net Cash	30.5%
2	Quipt Home Medical Corp.	5.7%
3	Polaris Renewable Energy Inc	4.0%
4	Boyd Group Services Inc	3.7%
5	Cargojet Inc	3.5%
6	Quisitive Technology Solutions Inc	3.3%
7	NowVertical Group Inc.	3.2%
8	Tidewater Midstream and Infrastructure Ltd	3.1%
9	Enghouse Systems Ltd	3.0%
10	Waterloo Brewing Ltd	2.8%
11	Green Impact Partners Inc	2.8%
12	Medexus Pharmaceuticals, Inc.	2.6%
13	CCL Industries Inc	2.6%
14	Opera Event Inc CV 12.5% 07/26/2023	2.6%
15	Newtopia Inc	2.5%
16	Sangoma Technologies Corporation	2.4%
17	Argan Inc	2.2%
18	Gibson Energy Inc	2.0%
19	PopReach Corp	2.0%
20	BSR Real Estate Investment Trust	2.0%
21	Granite Real Estate Investment Trust	2.0%
22	Dream Industrial Real Estate Investment Trust	1.9%
23	Voxtur Analytics Corp	1.9%
24	FirstService Corp	1.8%
25	Good Natured Products Inc	1.6%

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

**GOODWOOD INC.**

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