

**Federal Open Market Committee Statement Summary and Commentary:** In a widely expected move, today the US Federal Open Market Committee (the “FOMC”) decided to maintain the target range for the federal funds rate at 5.25% to 5.5%.

The FOMC stated that “Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated.”

The FOMC also modified its comments on inflation “In recent months, there has been modest further progress toward the Committee’s 2 percent inflation objective.”

The FOMC also released its Summary of Economic Projections (the “SEP”). In the context of a reduction in FOMC members forecasts of year end federal funds rates “the dot plot”, 4 members stated no cut, 7 members stated 1 cut and 8 members stated 2 cuts. The median is now one federal funds rate cut.

**Goodwood Portfolio Reaction:** The [Goodwood Milford Fund](#), the [Goodwood investment-grade bond](#) and [ESG-conscious investment-grade bond](#) mandates are 100% invested in Canadian-denominated bond issues. However, the FOMC’s decision on US monetary policy significantly impacts the Canadian bond market and the economy due to robust trade relations and currency exchange rates. The FOMC “no change” interest rate announcement was well anticipated by the market and marked the seventh consecutive no-change decision. At the last FOMC meeting on May 1, Chair Powell stated that the FOMC did not have confidence that inflation was on a steady path towards 2%. He also stated that a hike in interest rates resulting from “hotter” than expected Q1 inflation was not in the FOMC’s conversation. Inflation data since the last FOMC meeting has come in lower than expected. May core PCE was down very slightly month over month and flat year over year, while today’s CPI inflation data came in under expectations. May month/month ex food and energy CPI was 0.2% vs 0.3% expected and year/year was 3.4% vs 3.5% expected. The moderation of US inflation has resulted in a September rate cut coming back into play according to futures based probability models. These models are forecasting 2 cuts in the US, one in September and one in December.

Goodwood had been anticipating a 50/50 chance of a US rate cut in September and one cut in December. However, as a result of the recent moderating CPI data and the dovish tone at the FOMC press conference we are leaning to adding a cut in September to our internal forecast. Goodwood is currently anticipating the Bank of Canada will cut rates in both September and December. The Goodwood portfolios had increased duration exposures accordingly.

**Goodwood Fixed-Income Strategies:** Goodwood uses a disciplined, bottom-up, and fundamental approach in analyzing Canadian investment-grade corporate bonds. Our investment-grade portfolios seek to preserve capital and provide a high cash coupon income. We have added new issues to the portfolios with cash coupons in the 4.5% to 5.0% per annum range. In addition, our bond portfolios may also provide an opportunity for enhanced returns due to spread tightening (bond price appreciation) from improving company and industry fundamentals. Our strategies are well diversified by position size, industry sectors and term-to-maturity. Goodwood’s flexible, tactical approach can capitalize on inefficiencies in the fixed-income markets. The long-only investment-grade bond mandate invests in 20-30 fixed-income securities. Long-Short mandate: [Goodwood Milford Fund](#). Goodwood also acts as sub-advisor, managing [investment-grade bond](#) and [ESG-conscious investment-grade bond](#) mandates for third-party clients, institutions, pensions and endowments.

## Historical Interest Rate Trend and Forecast:

Quarter	FED	3M	2Y	5Y	10Y	30Y
Q1'23	5.00	4.64	4.03	3.58	3.47	3.65
Q2'23	5.25	5.30	4.90	4.16	3.84	3.86
Q3'23	5.50	5.45	5.05	4.61	4.57	4.70
Q4'23	5.50	5.34	4.25	3.85	3.88	4.03
Q1'24	5.50	5.36	4.62	4.21	4.19	4.34
Q2'24	5.50	5.40	4.75	4.40	4.30	4.50
Q3'24	5.50	5.30	4.65	4.30	4.20	4.40
Q4'24	5.25	5.00	4.40	4.20	4.00	4.20

Actual Forecast Sources: Historical: Bloomberg; Forecast: Goodwood Inc.

BOC	3M	2Y	5Y	10Y	30Y
4.50	4.38	3.73	3.02	2.90	3.00
4.75	4.91	4.58	3.68	3.27	3.09
5.00	5.37	4.87	4.25	4.02	3.81
5.00	5.32	3.89	3.17	3.11	3.03
5.00	5.01	4.19	3.54	3.47	3.36
4.75	4.70	4.00	3.45	3.40	3.30
4.50	4.55	3.75	3.30	3.30	3.20
4.25	4.30	3.50	3.20	3.20	3.10

## Goodwood C\$ Fixed-Income Strategies:

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	3.1	5.0
Goodwood ESG-Conscious Investment-Grade Bonds	3.9	4.9
Goodwood Milford Fund	3.2	4.4
iShares Core Canadian Universe Bond ETF	7.1	4.3
iShares Canadian Corporate Bond ETF	5.7	5.1

Available through Goodwood Inc. Sources: Goodwood Inc., iShares by Blackrock \*As at May 31, 2024. See full disclosure on page 2.

## Recent Investment-Grade Additions to Portfolios:

Altgas Ltd 4.672% 01/08/2029  
Bell Canada 5.15% 08/24/2034  
Cameco Corp 4.94% 05/24/2031  
Dollarama Inc. 2.443% 07/09/2029  
Granite REIT Holdings 6.074% 04/12/2029  
Intact Financial Corp 4.653% 05/16/2029  
Loblaw Co 4.488% 12/11/2028  
Manulife Bank 4.546% 03/08/2029  
McDonald’s Corp 4.857% 05/21/2031  
Telus Corp 4.95% 02/18/2031  
Waste Connections, Inc. 4.50% 06/14/2029

## Recent Investment-Grade Deletions from Portfolios:

Altgas Ltd 4.638% 05/15/2026 [sold]  
Dollarama Inc. 5.084% 10/27/2025 [sold]  
George Weston Ltd 4.115% 06/17/2024 [sold]  
McDonald’s Corp 3.13% 03/04/2025 [sold]  
Telus Corp 3.75% 01/17/2025 [sold]  
Toronto Dominion 4.344% 01/27/2026 [sold]  
TransCanada Pipeline FRN 06/09/2024 [matured]  
VW Credit Canada Inc. 5.8% 11/17/2025 [sold]

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