

**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%.

In a somewhat surprising statement, the FOMC did not give outright support (as the market had expected) to those forecasters who thought the FOMC would indicate at this meeting that it was preparing for future interest rate cuts. The FOMC stated “The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate. In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. In considering any adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.” The FOMC did move the language slightly to a dovish tilt stating “employment and inflation goals have moved into better guidance”.

In contrast, at the press conference FOMC Chairman Powell was more positive on the potential for the FOMC to cut rates in the near future. He said that the FOMC was close to the point where they could reduce the policy rate but are not there yet. After these initial remarks, bond prices rose with prices up (yields down) by 10 cents to 50 cents in the short end to the long end.

**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 eighth consecutive no-change decision.

The FOMC has stated on prior occasions that it does not have the confidence that inflation is on a path towards 2%. Recent Core CPI data has beaten expectations to the downside and has fallen for the last three months. In light of this data, the bond market is forecasting that inflation is now trending towards the FOMC’s 2% target and that the FOMC will be able to cut rates. We have seen a rally in bonds as a result (yields down, prices up). Futures based fed funds prediction models such as the CME’s FedWatch tool have moved to a forecast of over 80% probability for a 25 basis points cut at the September FOMC meeting.

Goodwood’s forecast is for the US to start cutting rates in September followed by an additional cut in December. Goodwood is currently forecasting that the Bank of Canada will cut rates again in September and December. The Goodwood portfolios have 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	BOC	3M	2Y	5Y	10Y	30Y
Q1'23	5.00	4.64	4.03	3.58	3.47	3.65	4.50	4.38	3.73	3.02	2.90	3.00
Q2'23	5.25	5.30	4.90	4.16	3.84	3.86	4.75	4.91	4.58	3.68	3.27	3.09
Q3'23	5.50	5.45	5.05	4.61	4.57	4.70	5.00	5.37	4.87	4.25	4.02	3.81
Q4'23	5.50	5.34	4.25	3.85	3.88	4.03	5.00	5.32	3.89	3.17	3.11	3.03
Q1'24	5.50	5.36	4.62	4.21	4.19	4.34	5.00	5.01	4.19	3.54	3.47	3.36
Q2'24	5.50	5.36	4.72	4.33	4.34	4.50	4.75	4.66	4.00	3.52	3.51	3.40
Q3'24	5.25	5.10	4.60	4.20	4.20	4.40	4.50	4.40	3.85	3.35	3.35	3.35
Q4'24	5.00	4.85	4.40	4.00	4.05	4.25	4.00	3.90	3.60	3.15	3.20	3.20
Actual	Forecast	Sources: Historical: Refinitiv; Forecast: Goodwood Inc.										

### Goodwood C\$ Fixed-Income Strategies:

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	3.6	4.9
Goodwood ESG-Conscious Investment-Grade Bonds	4.1	4.8
Goodwood Milford Fund	3.1	3.5
iShares Core Canadian Universe Bond ETF	7.2	4.3
iShares Canadian Corporate Bond ETF	5.8	5.0

Available through Goodwood Inc.

### Recent Investment-Grade Additions to Portfolios:

Magna International 4.95% 01/31/2031  
Mondelēz International, Inc 4.625% 07/03/2031  
OPG 4.831% 06/28/2034  
SmartCentres REIT 5.162% 08/01/2030  
Suncor Energy 5.39% 03/26/2037  
Veren Inc. 5.503% 06/21/2034

### Recent Investment-Grade Deletions from Portfolios:

Altagas Ltd 4.672% 01/08/2029 [sold]  
Canada Housing Trust FRN 03/15/2027 [sold]  
Caterpillar Financial Services Ltd 5.19% 09/25/2026 [sold]  
Mercedes Benz Finance Cda Inc 5.14% 06/29/2026 [sold]  
South Coast BC Transportation 3.05% 06/04/2025 [sold]  
Toyota Credit Canada 5.29% 07/13/2026 [sold]

**Important Information:**

This communication is for information purposes only and is not, and under no circumstances is it to be construed as, an invitation to make an investment in the Goodwood funds (the "Funds") nor does it constitute a public offering to sell the Funds, strategy or any other products described herein. It should not be relied upon when evaluating the merits of a potential investment in any funds or strategies managed by Goodwood Inc. **Performance returns within are calculated for the founding Class of Units for Goodwood Milford Fund LP. Other classes or series or strategies, may charge different fees and/or have different holdings and therefore returns between classes and Funds may vary. In addition, although the Goodwood Milford Fund LP has a similar mandate to the Investment Grade Corporate Bond mandate, each mandate may charge different fees, have different portfolio holdings and asset classes and therefore performance returns between the mandates will vary. As a result, the Goodwood Milford Fund Class S returns are not directly comparable and there can be significant differences between mandates. Fund returns are net of all fees. Past performance is not indicative of future results. Please contact Goodwood to better understand the differences between the Goodwood Milford Fund returns and the Investment Grade Corporate Bond and ESG-Conscious Investment Grade Bond mandates. The Investment Grade Bond Mandate and ESG-Conscious Investment Grade Bond Mandate are part of a third-party investment manager UMA account program for which Goodwood Inc. acts as sub-advisor. The information provided herein is for informational purposes. The UMA mandates are only available to clients of the third-party manager's advisors who are part of the third-party UMA account program.** Performance data from certain market indices/ETFs (iShares Core Canadian Universe Bond ETF and iShares Canadian Corporate Bond ETF) are provided in this presentation for information purposes only. A comparison of the Fund's performance to such ETFs is of limited use because the composition of the portfolios may contain other securities not found in the market index/ETF. As a result, no market indices/ETFs are directly comparable to the results of the Fund or strategy.

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. 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. No representation is being made that any account will or is likely to achieve profits or losses similar to those mentioned herein. There can be significant differences between hypothetical performance results and the actual results subsequently achieved by any particular portfolio or trading strategy.