

**Federal Open Market Committee Statement Summary and Commentary:** Today the US Federal Open Market Committee (the “FOMC”) cut by 25 basis points the target range for the federal funds rate to 4.50%-4.75%. This cut was widely anticipated by the market.

The FOMC stated that “Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee’s 2 percent objective but remains somewhat elevated”.

**Goodwood Portfolio Reaction:** The FOMC’s 25 basis points interest rate cut announcement surprised few investors. More concerning is the fact that the bond market and the FOMC appear to be out of sync i.e. the FOMC is talking about cutting rates while the bond market has gone in the opposite direction taking yields higher by around 100-140 basis points (with a very strong move higher in yields after Donald Trump’s victory). The bond market has been taking yields higher since mid-September reflecting investor concern over strong GDP figures, positive corporate guidance, a strong equity market and an unwinding of too aggressive forecasts of 50 basis points cuts at each remaining FOMC meeting. In contrast FOMC members have been consistent in stating that a steady run of interest rate cuts are coming and that the “jumbo” 50 basis points rate cut in September was the start of a “process” of cutting rates. Two year yields have risen from around 3.6% to 4.2% which is close to the current target for the Fed Funds rate implying the market thinks the Fed should be done here! Remember that September’s FOMC Statement of Economic Projections had the year end 2025 Fed Funds target estimate at 3.4%. Goodwood’s view is that the Fed may pause at a few 2025 meetings but the trend in Fed Fund rates will be downward.

**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
Q1'24	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	4.75	4.63	3.65	3.58	3.80	4.13	4.25	3.94	2.91	2.74	2.96	3.14
Q4'24	4.50	4.50	4.00	4.20	4.30	4.50	3.50	3.75	2.90	3.00	3.00	3.30
Q1'25	4.25	4.20	3.80	4.00	4.20	4.40	3.00	3.50	2.70	2.90	2.95	3.20
Q2'25	3.75	3.80	3.60	3.70	4.00	4.30	2.75	3.10	2.60	2.80	2.90	3.10
Q3'25	3.75	3.55	3.25	3.60	3.80	4.20	2.75	2.90	2.60	2.70	2.85	3.00
Q4'25	3.75	3.50	3.20	3.40	3.80	4.20	2.75	2.80	2.60	2.70	2.85	3.00

Actual      Forecast      Sources: Historical: LSEG; Forecast: Goodwood Inc., internal forecast used to position our Goodwood bond portfolios

## Goodwood C\$ Fixed-Income Strategies:

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	5.0	4.1
Goodwood ESG-Conscious Investment-Grade Bonds	4.2	4.0
Goodwood Milford Fund	5.7	4.4
iShares Core Canadian Universe Bond ETF	7.4	3.5
iShares Canadian Corporate Bond ETF	5.8	4.2

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock \*As at September 30, 2024 See full disclosure below.

## Recent Investment-Grade Additions to Portfolios:

Canadian Core Real Estate LP 4.482% 10/16/2029  
Coast Capital Savings Federal Credit Union 4.517% 10/18/2027  
CIBC NVCC C30 FX-FR 01/28/2085  
CNH Industrial Capital Canada Ltd 4.0% 04/11/2028  
ENMAX Corporation 4.695% 10/09/2034  
Granite LP 4.348% 10/04/2031  
Sienna Senior Living Inc. 4.436% 10/17/2029  
Stella-Jones Inc 4.312% 10/01/2031  
Toronto Hydro Corporation 3.99% 09/26/2034

## Recent Investment-Grade Deletions from Portfolios:

CU Inc 4.664% 09/11/2054 [sold]  
Rogers 4.25% 04/15/2032 [sold]  
South Bow 4.933% 02/01/2035 [sold]

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