

Federal Open Market Committee Statement Summary and Commentary: In a widely expected move today the US FOMC held the target rate for the federal funds rate steady at 4-1/4- to 4-1/2 percent. The FOMC stated “Recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated”.

It is interesting that the FOMC will continue with quantitative tightening whereas earlier today the Bank of Canada announced a program of quantitative easing. “The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage backed securities.”

Goodwood Portfolio Reaction: The FOMC’s no change interest rate announcement was well anticipated by the market. In the bond market prices fell by about 25 cents in the 10 year and longer terms. US equities sold off as well. In terms of forward FOMC policy, there was no guidance - the FOMC will be data dependent meeting by meeting. The FOMC stated “In considering the extent and timing of additional 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”. Goodwood’s forecast is for one 25 basis point cut by the FOMC in Q1 2025. Our interest rate forecasts for the FOMC and the Bank of Canada are set out below and we have positioned our portfolios accordingly.

Goodwood Fixed-Income Strategies: Goodwood uses a disciplined, bottom-up, and fundamental approach in analyzing Canadian investment-grade corporate bonds. The investment-grade portfolios seek to preserve capital and provide a high cash coupon income. We have been adding current new issues to the portfolios with cash coupons in the 4.50% to 5.25% per annum range. In addition, we believe bonds in our portfolios may appreciate as a result of spread tightening 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. Similar 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	4.33	4.25	4.39	4.58	4.78	3.25	3.20	2.94	2.97	3.24	3.34
Q1'25	4.25	4.25	4.25	4.40	4.60	4.80	2.75	2.80	2.85	2.95	3.20	3.30
Q2'25	4.25	4.15	4.10	4.30	4.60	4.75	2.50	2.60	2.70	2.90	3.10	3.25
Q3'25	4.25	4.15	4.10	4.30	4.60	4.75	2.50	2.60	2.70	2.90	3.10	3.25
Q4'25	4.25	4.30	4.40	4.50	4.75	4.95	2.50	2.70	2.80	3.00	3.20	3.30

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	4.9	4.0
Goodwood ESG-Conscious Investment-Grade Bonds	4.0	3.9
Goodwood Milford Fund	5.9	5.6
iShares Core Canadian Universe Bond ETF	7.3	3.6
iShares Canadian Corporate Bond ETF	5.7	4.1

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at December 31, 2024 See full disclosure below.

Recent Investment-Grade Additions to Portfolios:

Enbridge Pipelines Inc 3.52% 02/22/2029
Prologis LP 4.2% 02/15/2033

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