

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 ¼% to 4 ½%. 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.”

The FOMC also released its quarterly Summary of Economic Projections where the FOMC sets out its forecasts for a number of economic variables. Key changes: Real GDP growth forecast for December 2025 falls to 1.7% from 2.1% , PCE inflation December 2025 forecast falls to 2.5% from 2.7% and Core PCE inflation for December 2025 falls to 2.5% from 2.8%.

In regard to the “dot plot” it is notable that the number of governors who forecast only one cut in 2025 has risen to eight from four although the median remains at two cuts for the balance of 2025. Projections for the Fed funds rate for 2025 and 2026 remain unchanged at 3.9% for 2025 and 3.4% for 2026.

The FOMC will continue with quantitative tightening, stating “The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage backed securities. Beginning in April, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$25 billion to \$5 billion. The Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35 billion.” We note that the Bank of Canada has stopped quantitative tightening and has moved to a position of quantitative easing.

Goodwood Portfolio Reaction: The FOMC’s no change interest rate announcement was well anticipated by the market. In the bond market, prices erased earlier losses and rose 10-20bps in the 10 year and longer terms. US equities rose as well while the US Dollar index fell slightly. In terms of forward FOMC policy, there was no guidance - the FOMC will be data dependent meeting by meeting. Goodwood’s forecast is that if the US experiences the same increase in inflation that Canada saw this week, the FOMC will be on hold until the third quarter. Goodwood’s forecast is for one 25 basis point cut in Q3 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 3.5% to 5% 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	4.50	4.30	4.00	4.00	4.30	4.60	2.75	2.65	2.55	2.70	2.90	3.30
Q2'25	4.50	4.30	4.00	4.00	4.30	4.60	2.75	2.60	2.50	2.50	2.80	3.25
Q3'25	4.25	4.10	3.90	4.00	4.20	4.60	2.50	2.40	2.25	2.40	2.75	3.25
Q4'25	4.00	3.90	3.80	3.90	4.20	4.50	2.25	2.30	2.20	2.40	2.75	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	4.7	3.7
Goodwood ESG-Conscious Investment-Grade Bonds	3.9	3.6
Goodwood Milford Fund	5.7	4.9
iShares Core Canadian Universe Bond ETF	7.3	3.4
iShares Canadian Corporate Bond ETF	5.7	4.0

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at February 28, 2025. See full disclosure below.

Recent Investment-Grade Additions to Portfolios:

BCIMC 3.0% 03/31/2027
 Energir LP 3.04% 02/09/2032
 Fortis Inc. 4.171% 09/09/2031
 Ontario Power Generation 4.831% 06/28/2034
 Province of BC 3.55% 06/18/2033
 EDF S.A. 4.573% 02/06/2035
 Teranet Holdings LP 4.641% 03/07/2032
 US Treasury 4.25% 01/31/2030
 US Treasury 4.25% 01/15/2028
 US Treasury 4.125% 01/31/2027
 Waste Connections, Inc. 4.50% 06/14/2029

Recent Investment-Grade Deletions from Portfolios:

ATS Corporation 6.50% 08/21/2032 [sold]
 Empire Communities Corp 7.625% 11/01/2029 [sold]
 Finning 4.778% 02/13/2029 [sold]
 Go Easy 6.0% 05/15/2030 [sold]
 Magna International 4.95% 01/31/2031 [sold]
 Matrx Corp. 7.25% 04/02/2032 [sold]
 Rogers 5.625% 04/15/2055 [sold]
 Sleep Country Canada 6.625% 11/28/2032 [sold]
 Stella-Jones Inc 4.312% 10/01/2031 [sold]
 TDB TD F/F 5.909%/30 01/31/2085 [sold]
 Wolf Midstream Canada LP 5.95% 07/18/2033 [sold]

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