

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 4¼% to 4½%. In a brief statement, 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 Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook has increased further.”

The FOMC’s comments on tariffs were limited as well, the FOMC commented “Although swings in net exports have affected the data, recent indicators suggest that economic activity has continued to expand at a solid pace.” and “Uncertainty about the economic outlook has increased further. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen.”

Goodwood Portfolio Reaction: The FOMC’s no change interest rate announcement was well anticipated by the market. In the bond market, we saw a rally (prices up, yields down) going into the interest rate announcement. After the announcement bond prices were up modestly. The Canadian dollar weakened (versus the US Dollar) modestly as well. In terms of forward FOMC policy, there was no guidance - the FOMC will be data dependent meeting by meeting. In the US, Goodwood currently expects the Fed to implement two rate cuts of 25 basis points each in Q3, followed by one additional 25 basis point cut in Q4. In Canada, we anticipate the Bank of Canada to continue easing with two additional rate cuts this year (in addition to the cuts in January and March 2025). Our interest rate internal forecasts 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. Goodwood’s portfolios are diversified between various industries, and our maturity structure is currently tilted towards short (1-2 year) and mid (3-7 year) bonds. We feel this portfolio structure gives our portfolios a defensive stance in this volatile environment. 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	3.91	3.98	4.35	4.61	2.75	2.64	2.47	2.62	2.97	3.23
Q2'25	4.50	4.30	3.70	3.90	4.25	4.70	2.50	2.55	2.50	2.70	3.00	3.40
Q3'25	4.00	4.10	3.50	3.70	4.00	4.60	2.25	2.40	2.30	2.60	2.90	3.30
Q4'25	3.75	3.90	3.40	3.70	3.90	4.60	2.25	2.40	2.30	2.50	2.80	3.25
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	3.9
Goodwood ESG-Conscious Investment-Grade Bonds	3.8	3.8
Goodwood Milford Fund	5.8	4.9
iShares Core Canadian Universe Bond ETF	7.2	3.3
iShares Canadian Corporate Bond ETF	5.7	3.9

Available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at March 31, 2025. See full disclosure below.

Recent Investment-Grade Additions to Portfolios:

Telus 6.25% 07/21/2055
TransAlta Corporation 5.625% 03/24/2032
US Treasury 3.875% 08/15/2034

Recent Investment-Grade Deletions from Portfolios:

Bombardier US\$ 6.0% 02/15/2028 [sold]
Cascades Inc US\$ 5.375% 01/15/2028 [sold]
CIBC FX-FR 01/28/2085 [sold]
EDF S.A. 4.573% 02/06/2035 [sold]
Energir LP 3.04% 02/09/2032 [sold]
Prologis LP 4.2% 02/15/2033 [sold]
Province of B.C. US\$ 2.25% 06/02/2026 [sold]
Province of Ontario US\$ 2.3% 06/15/26 [sold]
Teranet Holdings LP 4.641% 03/07/2032 [sold]
US Treasury 4.125% 01/31/2027 [sold]
US Treasury 4.25% 01/15/2028 [sold]
US Treasury 4.25% 01/31/2030 [sold]

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