

Bank of Canada Statement Summary and Commentary: The Bank of Canada (the “Bank”) paused today, keeping its policy rate at 2.75% for the second consecutive meeting.

The Bank stated, “With uncertainty about US tariffs still high, the Canadian economy softer but not sharply weaker, and some unexpected firmness in recent inflation data, Governing Council decided to hold the policy rate.”

The Bank’s comments on the economy, “In Canada, economic growth in the first quarter came in at 2.2%, slightly stronger than the Bank had forecast, while the composition of GDP growth was largely as expected. The pull-forward of exports to the United States and inventory accumulation boosted activity. The economy is expected to be considerably weaker in the second quarter, with the strength in exports and inventories reversing and final domestic demand remaining subdued.”

Regarding inflation, the Bank stated “CPI inflation eased to 1.7% in April, as the elimination of the federal consumer carbon tax reduced inflation by 0.6 percentage points. Excluding taxes, inflation rose 2.3% in April, slightly stronger than the Bank had expected. The Bank’s preferred measures of core inflation, as well as other measures of underlying inflation, moved up. Recent surveys indicate that households continue to expect that tariffs will raise prices and many businesses say they intend to pass on the costs of higher tariffs.”

Goodwood Portfolio Reaction: The Bank’s pause in the policy rate was expected by the market. Market based forecasts for interest rate cuts have been falling throughout 2025. Goodwood’s internal forecast (set out below) is for one more 25 basis point reduction in the Bank’s policy rate in Q3. We believe inflation will not decline as fast as the Bank would like (potentially due to tariffs) and that the Bank will look to the government to provide fiscal stimulus. In the US, we currently anticipate the FOMC will implement two rate cuts in the fourth quarter. However, rising US deficits are causing concern in the bond markets, which could lead us to scale back that forecast.

In reaction to the Bank’s announcement, bond market prices were unchanged. The Canadian dollar was unchanged as well. Goodwood’s portfolio maturity structure is currently tilted towards short (1-2 year) and mid (3-7 year) bonds, with an underweight towards long term bonds. We feel this portfolio structure gives our portfolios a defensive stance in this volatile environment.

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 new issues to the portfolios with cash coupons in the 4.50% to 5.00% 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 mandates: [Goodwood Milford Fund](#) and RRSP eligible [Goodwood Milford Fund Trust](#). 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	BOC	3M	2Y	5Y	10Y	30Y	FED	3M	2Y	5Y	10Y	30Y
Q1'24	5.00	5.01	4.19	3.54	3.47	3.36	5.50	5.36	4.62	4.21	4.19	4.34
Q2'24	4.75	4.66	4.00	3.52	3.51	3.40	5.50	5.36	4.72	4.33	4.34	4.50
Q3'24	4.25	3.94	2.91	2.74	2.96	3.14	4.75	4.63	3.65	3.58	3.80	4.13
Q4'24	3.25	3.20	2.94	2.97	3.24	3.34	4.50	4.33	4.25	4.39	4.58	4.78
Q1'25	2.75	2.64	2.47	2.62	2.97	3.23	4.50	4.30	3.91	3.98	4.35	4.61
Q2'25	2.75	2.65	2.60	2.80	3.20	3.50	4.50	4.35	3.95	4.00	4.40	4.95
Q3'25	2.50	2.40	2.45	2.70	3.00	3.40	4.50	4.30	3.90	3.90	4.30	4.90
Q4'25	2.50	2.40	2.40	2.65	2.90	3.40	4.00	3.90	3.50	3.80	4.05	4.70
Actual	Forecast	Sources: Historical: LSEG; Forecast: Goodwood Inc., internal forecast used to position our Goodwood bond portfolios										

Corporate Spread (i.e., premium over government bonds) Trend and Forecast:

Corporate bond spreads are 5 to 15 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on April 16, 2025.

Recent Investment-Grade Additions to Portfolios:

Citigroup Inc. 4.55% 06/03/2035
Énergir, L.P. 4.65% 05/20/2055
Stantec Inc. 4.374% 06/10/2032
Telus 6.25% 07/21/2055

Recent Investment-Grade Deletions from Portfolios:

CNH Industrial Capital Canada Ltd 4.0% 04/11/2028 [sold]
Coast Capital Savings 4.517% 10/18/2027 [sold]
EDF S.A. 4.573% 02/06/2035 [sold]
Énergir, L.P. 3.04% 02/09/2032 [sold]
Equitable Bank 3.91% 12/17/2027 [sold]
Ford Credit Canada 5.668% 02/20/2030 [sold]
Fortis Inc. 4.171% 09/09/2031 [sold]
IGM Financial Inc. 3.44% 01/26 /2027 [sold]
Prologis LP 4.2% 02/15/2033 [sold]
Province of B.C. 3.55% 06/18/2033 [sold]
Teranet Holdings LP 4.641% 03/07/2032 [sold]

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Investment-Grade Bonds	4.5	3.8
Goodwood ESG-Conscious Investment-Grade Bonds	3.7	3.7
Goodwood Milford Fund	5.2	3.6
iShares Core Canadian Universe Bond ETF	7.2	3.5
iShares Canadian Corporate Bond ETF	5.6	4.0
Available through Goodwood Inc.		
Sources: Goodwood Inc., iShares by Blackrock *As at May 31, 2025. See full disclosure below.		

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