

Federal Open Market Committee Statement Summary and Commentary: In a widely expected move, today the US Federal Open Market Committee (the “FOMC”) held the target for the federal funds rate steady at $4\frac{1}{4}\%$ to $4\frac{1}{2}\%$. The FOMC stated “recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate remains low, and labor market conditions remain solid. Inflation remains somewhat elevated. Uncertainty about the economic outlook has diminished but remains elevated”. The FOMC released the quarterly Statement of Economic Projections “SEP” at this meeting. In the SEP, real GDP growth was marked down to 1.4% at December 31, 2025 from the 1.7% projection in March. Year end 2026 real GDP growth was marked down to 1.6% from 1.8%. PCE inflation was marked up to 3.0% for December 31, 2025 from 2.7% in March. The SEP also set out new federal funds rate projections as of year end. While the 2025 federal funds rate projection is unchanged at 3.9% (two cuts to federal funds rate projected), the projection for 2026 for the federal funds rates is moved to 3.6% from 3.4%.

Goodwood Portfolio Reaction: The FOMC’s no change interest rate announcement was well anticipated by the market. We have recently seen a rally in the US bond market (prices up, yields down) due to the conflict in the Middle East. After the announcement, bond prices continued to rise in the 2-10 year term. Goodwood currently anticipates the US Fed may implement one 25 basis points rate cut in Q4. In Canada, we anticipate the Bank of Canada may continue easing with one further rate cut in Q4. Our internal interest rate 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 new issues to the portfolios with cash coupons in the 4.25% 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	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	4.35	3.95	4.00	4.45	4.95	2.75	2.70	2.70	3.00	3.35	3.65
Q3'25	4.50	4.30	3.95	4.00	4.40	4.90	2.75	2.70	2.70	3.00	3.30	3.55
Q4'25	4.25	4.05	3.75	3.80	4.20	4.80	2.50	2.50	2.50	2.80	3.20	3.40
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	4.5	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.

Recent Investment-Grade Additions to Portfolios:

ARC Resources Ltd 4.409% 06/17/2032
Citigroup Inc. 4.55% 06/03/2035
Énergir, L.P. 4.65% 05/20/2055
Stantec Inc 4.374% 06/10/2032

Recent Investment-Grade Deletions from Portfolios:

BCIM Realty Corp 3.0% 03/31/2027 [sold]
CNH Industrial Capital Canada Ltd 4.0% 04/11/2028 [sold]
Coast Capital Savings 4.517% 10/18/2027 [sold]
Enbridge Pipelines Inc 3.52% 02/22/2029 [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 3.44/26 01/26/2027 [sold]
Province of B.C. 3.55% 07/18/2033 [sold]
Province of Ontario 3.75% 06/02/2032 [sold]
US Treasury 3.875% 08/15/2034 [sold]

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