Bank of Canada Statement Summary and Commentary: In a widely expected decision the Bank of Canada ("the Bank") today reduced its target for the overnight rate by 25 basis points to 2.5%.

The Bank stated " With a weaker economy and less upside risk to inflation, Governing Council judged that a reduction in the policy rate was appropriate to better balance the risks. Looking ahead, the disruptive effects of shifts in trade will continue to add costs even as they weigh on economic activity. Canada's GDP declined by about 1½% in the second quarter, as expected, with tariffs and trade uncertainty weighing heavily on economic activity. Exports fell by 27% in the second quarter, a sharp reversal from first-quarter gains when companies were rushing orders to get ahead of tariffs. Business investment also declined in the second quarter. Consumption and housing activity both grew at a healthy pace. In the months ahead, slow population growth and the weakness in the labour market will likely weigh on household spending.

Regarding inflation, the Bank stated "CPI inflation was 1.9% in August, the same as at the time of the July MPR. Excluding taxes, inflation was 2.4%. Preferred measures of core inflation have been around 3% in recent months, but on a monthly basis the upward momentum seen earlier this year has dissipated. A broader range of indicators, including alternative measures of core inflation and the distribution of price changes across CPI components, continue to suggest underlying inflation is running around 2½%. The federal government's recent decision to remove most retaliatory tariffs on imported goods from the US will mean less upward pressure on the prices of these goods going forward.

The Bank commented on the labor market "Employment has declined in the past two months since the Bank's July MPR was published. Job losses have largely been concentrated in trade-sensitive sectors, while employment growth in the rest of the economy has slowed, reflecting weak hiring intentions. The unemployment rate has moved up since March, hitting 7.1% in August, and wage growth has continued to ease.

Goodwood Portfolio Reaction: The Bank's 25 basis point cut in the policy rate was widely expected. From a recent high on July 24 the 2-year yield has fallen by 36 basis points from around 2.83% to 2.47% currently. In the table below we set our current interest rate forecasts for the remainder of the year, which guide our portfolio positioning. In Canada November 4 is date recently announced for the first Federal budget under Carney - we expect negative surprises. US interest rates have come down with the FOMC's focus on the weakening US employment situation. President Trump is creating uncertainty with his attacks on the FOMC as an institution and on individual FOMC members. Trump has widely broadcast his desire for lower rates.

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 4.0% to 5.0% per annum range. 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	2.68	2.66	2.83	3.29	3.56	4.50	4.30	3.72	3.79	4.23	4.98
Q3'25	2.50	2.45	2.45	2.70	3.15	3.60	4.25	3.98	3.50	3.60	4.00	4.65
Q4'25	2.25	2.25	2.30	2.60	3.10	3.40	4.00	3.80	3.25	3.50	3.75	4.40
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 July 30, 2025.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Milford Fund	5.1	4.2
Goodwood Investment-Grade Bonds	4.4	3.8
Goodwood ESG-Conscious Investment-Grade Bonds	3.5	3.7
iShares Core Canadian Universe Bond ETF	7.0	3.6
iShares Canadian Corporate Bond ETF	5.5	4.0
Available through Goodwood Inc.		
Sources: Goodwood Inc., iShares by Blackrock *As at August 31, 2025. See full disclosure below.		

Recent Investment-Grade Additions to Portfolios:
Province of BC U$ 4.2% 07/06/2033
Dream Summit Industrial LP 4.173% 09/18/2030
TransCanada U$ 4.1% 04/15/2030
EDC U$ 4.0% 01/20/2030
US Treasury 3.875% 07/15/2028 U$
TD BND 4.108% JUN8/27 U$
CPP BND REGS 4.375% JAN30/27
Ford Cred Cda 4.819% 09/11/2028
Definity Financial Corp 3.709% 09/12/2030
BMO BND 4.70/27 SEP14/27 U$
BMO BND 2.65 MAR8/27 U$
Fairstone BK 3.937%18SP28
Keyera-A C35 6%-FR 15OC55

Recent Investment-Grade Deletions from Portfolios:
ARC Resources LTD 4.409% 06/17/2032 [sold]
WSP Global 4.754% 09/12/2034 [sold]
Granite CB 4.348/31 10/04/2031 [sold]
Energir LP 4.65/54 05/20/2055 [sold]
Maritime LK 4.048 12/1/2052 [sold]

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