

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 2.25%.

In a decidedly downbeat message the Bank stated “The Canadian economy faces a difficult transition. The structural damage caused by the trade conflict reduces the capacity of the economy and adds costs. This limits the role that monetary policy can play to boost demand while maintaining low inflation.” “...The Bank projects GDP will grow by 1.2% in 2025, 1.1% in 2026 and 1.6% in 2027. On a quarterly basis, growth strengthens in 2026 after a weak second half of this year. Excess capacity in the economy is expected to persist and be taken up gradually.” “...With ongoing weakness in the economy and inflation expected to remain close to the 2% target, Governing Council decided to cut the policy rate by 25 basis points. If inflation and economic activity evolve broadly in line with the October projection, Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment.”

In regard to the state of Canada’s economy the Bank pointed out that “Canada’s economy contracted by 1.6% in the second quarter, reflecting a drop in exports and weak business investment amid heightened uncertainty. Meanwhile, household spending grew at a healthy pace. US trade actions and related uncertainty are having severe effects on targeted sectors including autos, steel, aluminum, and lumber. As a result, GDP growth is expected to be weak in the second half of the year.” “...Canada’s labour market remains soft. Employment gains in September followed two months of sizeable losses. Job losses continue to build in trade-sensitive sectors and hiring has been weak across the economy. The unemployment rate remained at 7.1% in September and wage growth has slowed.”

The Bank’s comments on inflation: “CPI inflation was 2.4% in September, slightly higher than the Bank had anticipated. Inflation excluding taxes was 2.9%. The Bank’s preferred measures of core inflation have been sticky around 3%. Expanding the range of indicators to include alternative measures of core inflation and the distribution of price changes among CPI components suggests underlying inflation remains around 2½%.”

Goodwood Portfolio Reaction: The Bank’s 25 basis point cut in the policy rate was widely expected. In the table below we set our current internal interest rate forecasts for the remainder of the year, which guide our portfolio positioning. On November 4th we will receive the first Federal budget under Prime Minister Carney - we expect negative surprises in terms of the size of Federal spending and the budget deficit. In the US, interest rates have come down with the FOMC’s focus on the weakening US employment situation. A 25 basis point cut in the target range for federal funds was announced this afternoon.

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	2.44	2.47	2.75	3.19	3.63	4.25	3.95	3.60	3.73	4.15	4.73
Q4'25	2.25	2.25	2.30	2.55	3.00	3.35	3.75	3.50	3.25	3.50	3.80	4.50
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 0 to 10 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on September 17, 2025.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Milford Fund LP	5.1	5.4
Goodwood Investment-Grade Bonds	4.3	3.5
Goodwood ESG-Conscious Investment-Grade Bonds	3.4	3.4
iShares Core Canadian Universe Bond ETF	7.0	3.4
iShares Canadian Corporate Bond ETF	5.5	4.3

Av available through Goodwood Inc.

Sources: Goodwood Inc., iShares by Blackrock *As at September 30, 2025. See full disclosure below.

Recent Investment-Grade Additions to Portfolios:

N/A

Recent Investment-Grade Deletions from Portfolios:

TMX Group 4.836% 02/18/2032 [sold]
Definity C30 3.709% 09/12/2030 [sold]
Stantec Inc. 4.374% 06/10/2032 [sold]
Fairstone BK 3.937% 09/18/2028 [sold]
Bell Canada 4.7% 03/14/2036 [sold]
GoEasy Ltd CB 6% 05/15/2030 [sold]
CI Financial Corp 7% 12/02/2025 [sold]

Important Information:

This communication is for information purposes only and is not, and under no circumstances is it to be construed as, an invitation to make an investment in the Goodwood funds (the "Funds") nor does it constitute a public offering to sell the Funds, strategy or any other products described herein. It should not be relied upon when evaluating the merits of a potential investment in any funds or strategies managed by Goodwood Inc. **Performance returns within are calculated for the founding Class of Units for Goodwood Milford Fund LP. Other class or series or strategies, may charge different fees and/or have different holdings and therefore returns between classes and Funds may vary.** In addition, although the Goodwood Milford Fund LP has a similar mandate to the Investment Grade Bond mandate, each mandate may charge different fees, have different portfolio holdings and asset classes and therefore performance returns between the mandates will vary. As a result, the Goodwood Milford Fund Class S returns are not directly comparable and there can be significant differences between mandates. Fund returns are net of all fees. Past performance is not indicative of future results. Please contact Goodwood to better understand the differences between the Goodwood Milford Fund returns and the Investment Grade Bond and ESG-Conscious Investment Grade Bond mandates. **The Investment Grade Bond Mandate and ESG-Conscious Investment Grade Bond Mandate are part of a third-party investment manager UMA account program for which Goodwood Inc. acts as sub-advisor. The information provided herein is for informational purposes. The UMA mandates are only available to clients of the third-party manager's advisors who are part of the third-party UMA account program.** Performance data from certain market indices/ETFs (iShares Core Canadian Universe Bond ETF and iShares Canadian Corporate Bond ETF) are provided in this presentation for information purposes only. A comparison of the Fund's performance to such ETFs is of limited use because the composition of the portfolios may contain other securities not found in the market index/ETF. As a result, no market indices/ETFs are directly comparable to the results of the Fund or strategy.

This communication is not a product of any research department. Goodwood Inc. does not have a research department. Any views and/or commentary in this communication is by the Author (Portfolio Manager of the Goodwood funds). This commentary is not a recommendation and does not take into account whether any product or transaction is suitable for any particular investor. The information contained herein is drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or an offer to buy or sell the securities mentioned herein. The Goodwood funds and/or the principals, officers, directors, employees of Goodwood Inc. may have a position in the securities mentioned herein and may make purchase and/or sales of these securities from time to time. Our valuations may contain forward-looking information which is subject to change. Actual results or performance may differ materially from those expressed or implied in this document as a result of unforeseen events and their effects on our valuations and opinions. No representation is being made that any account will or is likely to achieve profits or losses similar to those mentioned herein. There can be significant differences between hypothetical performance results and the actual results subsequently achieved by any particular portfolio or trading strategy.