

## Bank of Canada Statement Summary and Commentary:

In a widely expected decision the Bank of Canada (“the Bank”) today kept its target for the overnight rate at 2.25%. The press release stated “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. Uncertainty remains elevated.”

On the state of Canada’s economy, the Bank pointed out that “ Canada’s economy grew by a surprisingly strong 2.6% in the third quarter, even as final domestic demand was flat. The increase in GDP largely reflected volatility in trade. The Bank expects final domestic demand will grow in the fourth quarter, but with an anticipated decline in net exports, GDP will likely be weak.”

The Bank’s comments on inflation: “measures of core inflation remain in the range of 2½% to 3%. The Bank assesses that underlying inflation is still around 2½%. In the near term, CPI inflation is likely to be higher due to the effects of last year’s GST/HST holiday on the prices of some goods and services. Looking through this choppiness, the Bank expects ongoing economic slack to roughly offset cost pressures associated with the reconfiguration of trade”.

## Goodwood Portfolio Reaction:

The Bank’s no change interest rate announcement was well anticipated by the market. After the announcement bond yields fell by about 2-3 basis points in the 10-year and 30-year tenors. In the table below we set out our current internal interest rate forecasts for the remainder of the year and for 2026 which guide our portfolio positioning.

## 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. 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
Q1'25	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	2.20	2.59	2.98	3.44	3.86	3.75	3.64	3.48	3.72	4.16	4.84
Q1'26	2.25	2.18	2.50	2.90	3.30	3.80	3.75	3.65	3.45	3.75	4.10	4.75
Q2'26	2.00	2.15	2.45	2.80	3.30	3.75	3.75	3.40	3.20	3.60	3.90	4.70
Q3'26	2.00	2.15	2.40	2.80	3.25	3.70	3.50	3.15	3.00	3.45	3.80	4.60
Q4'26	2.25	2.20	2.45	2.80	3.25	3.70	3.25	3.15	3.00	3.45	3.80	4.60
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 have ranged from 0 to 5 basis points tighter over equivalent term Government of Canada bond yields since the last Bank of Canada announcement on December 10, 2025.

Strategy	Effective Duration*	Yield to Maturity*
Goodwood Milford Fund LP	4.3	4.3
Goodwood Investment-Grade Bonds	4.1	3.6
Goodwood ESG-Conscious Investment-Grade Bonds	3.2	3.5
iShares Core Canadian Universe Bond ETF	6.9	3.5
iShares Canadian Corporate Bond ETF	5.5	4.0

Available through Goodwood Inc.

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

## Recent Investment-Grade Additions to Portfolios:

N/A

## Recent Investment-Grade Deletions from Portfolios:

BMO US\$ 2.65% 03/08/2027 [sold]  
BMO BND 4.70% 09/14/2027 U [sold]  
CNRCN 4.4 05/10/33 [sold]  
CPP BND REGS 4.375% 01/30/27 [sold]  
TD BND 4.108% 06/08/2027 U [sold]  
US TREAS NT 3.875% 15JL28 [sold]  
US TREAS NT 4.125% 28FB27 [sold]

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