

Financial Statements of

GOODWOOD CAPITAL FUND

For the six months ended June 30, 2021 (unaudited)

Manager's comments on unaudited interim financial statements

These interim financial statements of the Goodwood Capital Fund (the "Fund") for the six months ended June 30, 2021 have been prepared by the Manager. These interim financial statements have not been reviewed or audited by KPMG LLP, the independent external auditors of the Fund.

GOODWOOD CAPITAL FUND

Statements of financial position

As at June 30, 2021 (unaudited) and December 31, 2020

	Note	June 30, 2021	December 31, 2020
Assets			
Cash		\$ 420,290	\$ 1,359,062
Financial assets at fair value through profit or loss (cost - \$6,859,207; December 31, 2020 - \$5,256,271)	6	7,377,230	5,936,877
Accrued interest and dividend receivable		9,628	5,944
Total assets		\$ 7,807,148	\$ 7,301,883
Liabilities			
Accounts payable and accrued liabilities	8	\$ 13,398	\$ 19,218
Total liabilities (excluding net assets attributable to holders of redeemable units)		\$ 13,398	\$ 19,218
Net assets attributable to holders of redeemable units	7	\$ 7,793,750	\$ 7,282,665
Net assets attributable to holders of redeemable units per class			
Class A		\$ 4,322,643	\$ 4,164,726
Class F		3,471,107	3,117,939
Total net assets attributable to holders of redeemable units		7,793,750	7,282,665
Net assets attributable to holders of redeemable units per unit			
Class A		\$ 27.73	\$ 26.59
Class F		18.70	17.84

Approved by Goodwood Inc.

"Peter H. Puccetti" _____ Director
Chief Investment Officer

"Curt S. Cumming" _____ Director
President

GOODWOOD CAPITAL FUND

Statements of comprehensive income (loss)

For the six months ended June 30, 2021 and June 30, 2020 (unaudited)

	Note	2021	2020
Income			
Dividend income		\$ 39,034	\$ 25,216
Interest income		10,771	328
Net foreign currency (losses) gains		(199)	2,288
Net realized gains (losses) on financial assets		579,129	(2,783)
Net change in unrealized (depreciation) appreciation on financial assets		(162,583)	54,440
Total income		\$ 466,152	\$ 79,489
Operating expenses			
Management fees	8	\$ 63,665	\$ 33,569
Legal and professional fees		31,173	31,141
General and administrative		18,506	13,647
Commissions and other portfolio transaction costs	9	18,403	6,432
Audit fees		6,828	3,042
Trustee fees		5,578	5,595
Withholding taxes		1,483	892
Total operating expenses		\$ 145,636	\$ 94,318
Increase (decrease) in net assets attributable to holders of redeemable units	7	\$ 320,516	\$ (14,829)
Increase (decrease) in net assets attributable to holders of redeemable units per class			
Class A		\$ 172,335	\$ (32,940)
Class F		148,181	18,111
		320,516	(14,829)

The accompanying notes are an integral part of these financial statements.

GOODWOOD CAPITAL FUND

Statements of changes in net assets attributable to holders of redeemable units

For the six months ended June 30, 2021 and June 30, 2020 (unaudited)

June 30, 2021

Unit Transactions

Class	Net assets attributable to holders of redeemable units, beginning of period	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Transfer In/ Transfer Out	Net assets attributable to holders of redeemable units, end of period
Class A	4,164,726	172,335	293,963	(278,458)	(29,923)	4,322,643
Class F	3,117,939	148,181	432,675	(257,611)	29,923	3,471,107
Total	\$ 7,282,665	\$ 320,516	\$ 726,638	\$ (536,069)	- \$	7,793,750

June 30, 2020

Unit Transactions

Class	Net assets attributable to holders of redeemable units, beginning of period	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Transfer In/ Transfer Out	Net assets attributable to holders of redeemable units, end of period
Class A	3,373,749	(32,940)	29,280	(812,214)	-	2,557,875
Class F	1,216,028	18,111	300,681	(309,494)	-	1,225,326
Total	\$ 4,589,777	\$ (14,829)	\$ 329,961	\$ (1,121,708)	- \$	3,783,201

The accompanying notes are an integral part of these financial statements.

GOODWOOD CAPITAL FUND

Statements of cash flows

For the six months ended June 30, 2021 and June 30, 2020 (unaudited)

	Note	2021	2020
Cash flow from operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units	\$	320,516	\$ (14,829)
Adjustments for:			
Net realized (gains) losses on financial assets		(579,129)	2,783
Net change in unrealized depreciation (appreciation) on financial assets		162,583	(54,440)
		(96,030)	(66,486)
Purchases of investments		(3,361,984)	(1,134,213)
Proceeds from sale of investments		2,338,177	1,898,389
Net increase in subscription receivable		-	(11,000)
Net increase in accrued interest and dividend receivable		(3,684)	(2,928)
Net decrease in accounts payable and accrued liabilities		(5,820)	(25,942)
Net cash (used in) provided by operating activities		(1,129,341)	657,820
Cash flows from financing activities			
Proceeds from issuance of redeemable units		726,638	329,961
Payment on redemption of redeemable units		(536,069)	(1,121,708)
Net cash provided by (used in) financing activities		190,569	(791,747)
Net decrease in cash		(938,772)	(133,927)
Cash at beginning of the period		1,359,062	457,845
Cash at end of the period	\$	420,290	\$ 323,918
Supplemental cash flow information*			
Interest received		5,167	(1,936)
Dividends received, net of withholding taxes		39,471	23,660

* included as part of cash flow from operating activities

GOODWOOD CAPITAL FUND

Schedule of Investments

As at June 30, 2021 (unaudited)

PAR VALUE/ NUMBER OF SHARES	DESCRIPTION	AVERAGE COST	FAIR VALUE	% OF NET ASSETS
		\$	\$	
Investments owned				
Canadian publicly held securities:				
671,428	Voxtur Analytics Corp.	470,000	496,857	6.38
66,024	Medexus Pharmaceuticals Inc.	101,781	489,238	6.28
23,350	Polaris Infrastructure Inc.	362,096	451,356	5.79
73,400	Skylight Health Group Inc.	472,144	369,202	4.74
342,000	Good Natured Products Inc.	306,275	345,420	4.43
5,700	Brookfield Business Partners L.P.	273,857	326,610	4.19
190,000	Quisitive Tech Solns Inc.	196,492	304,000	3.90
1,625	Cargojet Inc.	226,730	299,049	3.84
737,600	Newtopia Inc.	532,461	295,040	3.79
287,722	NowVertical Group Inc.	230,178	287,722	3.69
62,000	Nanoxplore Inc.	254,852	277,140	3.56
28,900	Green Impact Partners Inc.	270,816	274,839	3.53
378,000	PopReach Corp.	466,708	272,160	3.49
35,000	Quipt Home Medical Corp.	208,600	269,500	3.46
37,800	Waterloo Brewing Ltd.	167,491	259,686	3.33
78,500	Sangoma Technologies Corp.	241,049	250,415	3.21
4,365	Enghouse Systems Ltd.	250,299	240,904	3.09
940	Boyd Group Services Inc.	177,890	212,045	2.72
7,900	Air Canada	182,873	201,449	2.58
8,200	Gibson Energy Inc.	133,597	194,750	2.50
2,350	CCL Industries Inc., Class B	136,126	160,435	2.06
1,140	TFI International Inc.	51,378	129,014	1.66
570	Firstservice Corp	76,088	121,188	1.55
		5,789,781	6,528,019	83.77
Canadian privately held securities:				
166,600	Morgan Solar Inc., Preferred shares A	193,071	-	-
		193,071	-	-
Foreign bonds:				
100,000	Opera Event, 12.5%, July 26, 2022	126,790	123,970	1.59
150,000	Virginia Black LLC, 15%, June 30, 2020	190,575	-	-
		317,365	123,970	1.59
Foreign publicly held securities:				
4,785	Argan Inc.	262,664	283,667	3.64
1,300	HEICO Corporation, Class A	138,282	200,130	2.57
1,750	Moelis & Company	83,422	123,421	1.58
535	MKS Instruments Inc.	74,622	118,023	1.51
		558,990	725,241	9.30

GOODWOOD CAPITAL FUND

Schedule of Investments (continued)

As at June 30, 2021 (unaudited)

PAR VALUE/ NUMBER OF SHARES	DESCRIPTION	AVERAGE COST	FAIR VALUE	% OF NET ASSETS
		\$	\$	
Investments owned				
Foreign warrants:				
52,500	Virginia Black LLC, Warrants, TBD	-	-	-
		-	-	-
Total investments owned		\$ 6,859,207	\$ 7,377,230	94.66
Total investments		6,859,207	7,377,230	94.66
Other assets, net			416,520	5.34
Net assets			\$ 7,793,750	100.00

GOODWOOD CAPITAL FUND

Notes to the financial statements

For the six months ended June 30, 2021 (unaudited)

1. GENERAL INFORMATION

The Goodwood Capital Fund (the "Fund") is an open-end investment fund trust created under the laws of Ontario. The Fund was established on December 23, 1999 pursuant to a declaration of trust and is governed by a third amended and restated trust agreement dated June 11, 2014 as amended from time to time (the "Trust Agreement"). The Fund files with all Canadian provincial and territorial securities commissions a simplified prospectus and annual information form each year for the public offering of its Fund units. Currently, the Fund offers its units to the public under a simplified prospectus and annual information form dated May 25, 2021 (collectively, the "Prospectus"). Interests in the Fund are divided into Class A and Class F units. Class A units were issued beginning on December 29, 1999. Class F units were available for purchase starting June 10, 2016. The registered office of the Fund is 75 Navy Street, Suite 403, Oakville, Ontario L6J 2Z1.

Fund management and investment management services are provided by Goodwood Inc. (the "Manager"), a member of the Investment Industry Regulatory Organization of Canada. In this capacity, the Manager manages the day-to-day business and investment portfolio of the Fund. In addition, the Manager is the promoter of the Fund. Computershare Trust Company of Canada is trustee (the "Trustee") of the Fund, and National Bank Financial Inc. through its National Bank Independent Network division ("NBIN") is the custodian of the Fund.

The investment objective of the Fund is to achieve capital appreciation by investing primarily in equity securities of North American companies over a broad range of industry sectors which the Manager believes to have superior potential.

To achieve its objectives, the Fund invests primarily in equity securities of North American companies - that is, issuers with a connection to Canada or the U.S., such as those that are domiciled in Canada or the U.S., the securities of which are listed on an exchange in Canada or the U.S., or derive a significant portion of their revenues or profits from, or hold a significant portion of their assets in, Canada or the U.S. The Fund may also purchase additional securities such as term deposits, commercial paper, bonds and debentures of corporate and government issuers should prevailing market conditions warrant a defensive position. The Fund may invest up to 15% of its net asset value at cost in junk bonds or other debt securities with equity-like total return.

2. BASIS OF PRESENTATION

Basis of accounting

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value.

Approval of the financial statements

The financial statements were approved by the Manager and authorized for issue on August 20, 2021.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

2. BASIS OF PRESENTATION (Continued)

Functional and presentation currency

The functional currency of the Fund is the Canadian Dollar (“CAD”) and the financial statements are presented in CAD.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing these financial statements. Actual results may differ from these estimates.

Fair value of securities not quoted in an active market

The Fund may, from time to time, hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Manager.

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. The Fund would exercise judgment and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes ‘observable’ requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to note 6 for further information about the fair value measurement of the Fund’s financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements:

Cash

Cash is comprised of cash deposits at NBIN.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets at fair value through profit or loss

Recognition, measurement and classification:

A financial asset classified as amortized cost is measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal outstanding. All other financial assets are classified as FVTPL and are measured at fair value.

Financial liabilities are classified and measured at amortized cost except financial liabilities classified as FVTPL which are measured at fair value.

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at FVTPL.

Financial assets that the Fund classifies and measures at amortized cost include accrued interest and dividend receivable.

Financial liabilities that are classified and measured at amortized cost include accounts payable and accrued liabilities.

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date at fair value, with transaction costs recognized in the statement of comprehensive income. Other financial assets and financial liabilities recognized on the origination date at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Net changes in unrealized gains and losses arising from changes in the fair value of the financial instruments at FVTPL are presented in the statement of comprehensive income within net change in unrealized appreciation (depreciation) on financial assets in the period in which they arise. Realized gains and losses arising from the sale of financial assets at FVTPL are calculated as proceeds of disposition less their average cost. Average costs does not include amortization of premiums or discounts on debt securities.

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligation of the liability has been discharged, cancelled, or expired.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividend income from financial assets at FVTPL is recognized in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Amounts not yet received are included in the statement of financial position in accrued interest and dividends receivable. Interest for distribution purposes earned on debt securities at FVTPL is recognized in the statement of comprehensive income on an accrual basis.

Fair value measurement

Financial assets at FVTPL are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets is based on quoted market prices at the close of trading on the reporting date. In circumstances where the closing price is outside of the closing bid-ask range, then the closest bid or ask to the last trade will be used.

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Financial assets and liabilities classified and measured at amortized cost: Amortized cost is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, less any reduction for impairment.

The fair value used for financial reporting is consistent with the fair value used for unitholder and related transactions.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Fund has a legally enforceable right to off-set the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial assets and financial liabilities at FVTPL.

Payable for investments purchased/receivable for investments sold

Amounts receivable for investments sold and amounts payable for investments purchased that have been contracted are recorded on the statement of financial position at the amount to be received or delivered.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Redeemable units and net assets attributable to holders of redeemable units

The Fund issues two classes of redeemable units, which are redeemable at the holder's option and do not have identical attributes. As a result, the Fund's units are classified as a liability under Internal Accounting Standard ("IAS") 32, Financial Instruments – Presentation ("IAS 32").

For each Fund unit sold, the Fund receives an amount equal to the net asset value per unit at the date of sale, which amount is included in net assets attributable to holders of redeemable units. For each unit redeemed, net assets attributable to holders of redeemable units is reduced by the net asset value of the unit at the date of redemption. The redeemable units are measured at the current value of the Fund's net assets and are considered a residual amount of the net assets attributable to holders of redeemable units.

Net assets attributable to holders of redeemable units is calculated for the class of units of the Fund by taking the respective class' proportionate share of the Fund's net assets and dividing the number of units outstanding on the valuation date.

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period for each class.

Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are costs incurred to acquire financial assets at FVTPL. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in profit or loss as an expense.

Foreign currency translation

Investment transactions and income and expenses in foreign currencies have been translated to CAD at the rate of exchange prevailing at the time of the transaction. Foreign currency assets and liabilities have been translated into the functional currency using the rate of exchange prevailing at the statement of financial position date. Foreign exchange gains and losses relating to cash are presented in the statement of comprehensive income within net foreign currency gains (losses). Foreign exchange gains and losses relating to financial assets carried at FVTPL are presented in the statement of comprehensive income within net changes in fair value on financial assets at FVTPL.

Taxation

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes and as such, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset.

The Fund is subject to withholding taxes on foreign income. In general, the Fund treats withholding tax as a charge against income for tax purposes.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

4. DERIVATIVE FINANCIAL INSTRUMENTS

The Fund holds the following derivative instruments:

Warrants

A warrant is a contractual arrangement under which the issuer grants the holder the right, but not the obligation, either to buy at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price directly from the issuer of the underlying securities. The Fund is exposed to credit risk on purchased warrants only to the extent of their carrying amount, which is their fair value.

The following table detail the Fund's investments in warrants as at June 30, 2021 and December 31, 2020:

June 30, 2021

Description	Maturity Date	Strike Price	Notional Amount	Fair value in financial assets
<i>Warrants</i>				
Virginia Black LLC	TBD	TBD	-	-

December 31, 2020

Description	Maturity Date	Strike Price	Notional Amount	Fair value in financial assets
<i>Warrants</i>				
Virginia Black LLC	2/26/2021	0.25	13,125	-

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Financial risk factors

The Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including price risk, foreign exchange risk, and interest rate risk). The Fund's exposure to financial risks is concentrated in its investment holdings.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody brought about by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that reduces the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by daily monitoring of the Fund's positions and market events and, by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposures for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

(i) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Credit risk is managed by the Manager through a careful selection of securities and diversification of the Fund's portfolio. The Manager monitors the Fund's overall market positions on a daily basis and investment positions are maintained within an established range.

The amount of exposure to credit risk is represented by the carrying amount of the assets on the statement of financial position and the possible inability of another party failing to discharge an obligation. Substantially all financial instruments are cleared through and held in custody by NBIN Inc. The Fund is subject to credit risk to the extent that NBIN Inc. may be unable to fulfill its obligations either to return the Fund's securities or repay amounts owed. NBIN Inc. has received an A-1 credit rating from the Dominion Bond Rating Service. The Fund does not anticipate any losses as a result of this concentration.

As at June 30, 2021 and December 31, 2020, the Fund held one bond that was not rated.

(ii) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Fund is exposed to periodic cash redemptions of redeemable units. In addition, the Fund may, from time to time, invest in unlisted securities, which are not traded in an organized market. Non-listed securities may generally be illiquid, therefore, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to its fair value in order to respond to meet its liquidity requirements or to respond to specific events, such as a deterioration in the creditworthiness of any particular issuer.

The Fund manages its liquidity risk by primarily investing in marketable securities and other financial instruments which are traded in active markets and can be readily disposed of under normal market conditions. Furthermore, the fund retains sufficient cash and highly liquid investment positions to maintain liquidity.

It is the Fund's policy that the Manager monitors the Fund's liquidity position on a daily basis. The Fund's liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option, however does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term. In addition, the Fund requires appropriate notice of unit redemptions and under extraordinary circumstances has the ability to suspend redemptions if this is deemed to be in the best interest of all unitholders. As such, the Fund is not exposed to significant liquidity risk. The Fund did not withhold any redemption or implement any suspensions during 2021 or 2020.

(iii) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as market prices, foreign exchange rates and interest rates. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

a) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Fund is primarily exposed to price risk from its investments in equity, preferred securities and related derivatives.

All investments represent a risk of loss of capital. The investment portfolio consists of securities of companies in various industries which are subject to normal market fluctuations and the risks inherent in investment in equity markets. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's price risk is managed by the Manager constructing a diversified portfolio of investments traded on various markets which may not be correlated. The Fund's positions and overall market conditions are monitored on a daily basis.

As at June 30, 2021, had the prices for these securities increased or decreased by 5%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$362,663 (December 31, 2020 - \$296,844).

The Fund is also exposed to price risk through the concentration of its investment portfolio, and manages this risk through daily monitoring of the portfolio to comply with the Fund's investment strategies as outlined in the Fund's Prospectus.

b) Foreign exchange risk

The Fund may hold both monetary and non-monetary assets and liabilities denominated or traded in currencies other than the Canadian Dollar, the Fund's functional currency. Foreign currency risk arises as the value of future transactions of assets and liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The table below summarizes the foreign currencies to which the Fund had significant exposure at June 30, 2021 and December 31, 2020 in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if CAD had strengthened or weakened by 5% in relation to the listed currencies, with all other variables held constant.

GOODWOOD CAPITAL FUND
Notes to the financial statements
For the six months ended June 30, 2021 (unaudited)

5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

b) Foreign exchange risk

June 30, 2021

Currency	Currency Exposure		As a % of net assets attributable to holders of redeemable units	Impact on net assets attributable to holders of redeemable units	Impact as a % of net assets attributable to holders of redeemable units
	Cash and other receivables	Investments at FVTPL			
United States Dollar	\$ 6,650	\$ 849,211	11.0	\$ 42,793	0.5

December 31, 2020

Currency	Currency Exposure		As a % of net assets attributable to holders of redeemable units	Impact on net assets attributable to holders of redeemable units	Impact as a % of net assets attributable to holders of redeemable units
	Cash and other receivables	Investments at FVTPL			
United States Dollar	\$ 1,016	\$ 1,181,944	16.2	\$ 59,148	0.8

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing or repriced daily and, as a result, the Fund's portfolio is not subject to a significant amount of risk due to fluctuations in the prevailing levels of market interest rates. However, the underlying investments may themselves invest in fixed interest-bearing securities, which could expose them to interest rate risk.

The table below summarizes the Fund's exposure to interest rate risk as at June 30, 2021 and December 31, 2020, by remaining term to maturity. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant.

	June 30, 2021	December 31, 2020
Term to maturity		
1 to 5 years	123,970	-
Total	123,970	-
Impact on net assets attributable to holders of redeemable units	1,222	-
Impact on net assets attributable to holders of redeemable units %	0	-

GOODWOOD CAPITAL FUND
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5. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (Continued)

d) COVID-19 risk

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by the Fund in making its judgments and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and the impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Fund in future periods. Given that the full extent of the impact that COVID-19, including government and/or regulatory responses to the outbreak, will have on the global economy and the Fund's business is uncertain and not predictable at this time, there is a higher level of uncertainty with respect to the Fund's judgments and estimates.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the period-end date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the period-end date, valuation techniques will be applied to determine the fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each period-end date. Valuation techniques used for non-standardized financial instruments, include the use of comparable recent arm's length transactions, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Fund categorizes its financial instruments classified as FVTPL into a hierarchy based on the instruments' significant inputs as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs are unobservable inputs for the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

If an asset or liability classified as Level 1 subsequently ceases to be actively traded, it is transferred into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified to Level 3.

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6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table presents the Fund's assets and liabilities measured at fair value as at June 30, 2021 and December 31, 2020 within the fair value hierarchy:

June 30, 2021				
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Bond securities	\$ -	\$ -	\$ 123,970	\$ 123,970
Equity securities	6,965,538	-	287,722	7,253,260
	6,965,538	-	411,692	7,377,230
Total	6,965,538	-	411,692	7,377,230

December 31, 2020				
	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>				
Equity securities	\$ 5,936,877	\$ -	\$ -	\$ 5,936,877
	5,936,877	-	-	5,936,877
Total	5,936,877	-	-	5,936,877

During the period presented June 30, 2021, there were no transfers between Levels 1, 2, and 3.

The majority of the investments held by the Fund are listed investments for which liquid quoted market prices are readily available. Certain investments, however, require the use of management judgment to determine the fair value. These investments are classified within Level 3 as non-listed private investments and therefore have significant unobservable inputs or assumptions. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair values for the measurement dates presented.

Valuation techniques and value of the Level 3 investments are determined in such a manner as the Manager may from time to time determine. Valuation techniques for private investments held by the Fund include, but are not limited to: the valuation implied by meaningful, third party; any arm's-length transaction(s); discounts applied to material non-arm's length transaction(s) to reflect the economic benefits of special transactions not available to all the security holders; purchase agreements or other relevant documentation; comparisons to similar instruments for which observable market prices exist, use of in-house valuation models; frequent discussions with management and/or board members of private companies; analysis of financial statements and determination of expected future cash flows on the Level 3 security being valued. Fair value estimates obtained may also be adjusted for other factors, such as liquidity risk or general operational uncertainty to the extent that the Manager believes these factors could or are likely to impact fair value.

Level 3 valuations are reviewed frequently by the Fund's Manager, specifically by the Manager's Chief Investment Officer who has the overall responsibility for fair value measurement. The Manager considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry.

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6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The below table provides a summary of changes in the investments categorized as Level 3 as at June 30, 2021 and December 31, 2020:

June 30, 2021

		Level 3
Balance, beginning of period	\$	-
Purchases		547,543
Sales		(190,575)
Change in unrealized profit		54,724
Total investments		411,692

December 31, 2020

		Level 3
Balance, beginning of year	\$	538,669
Sales		(2,997,228)
Realized gains		2,806,653
Change in unrealized loss		(348,094)
Total investments		-

The Fund held a level 3 investment in convertible bonds and warrants of Virginia Black, LLC, as US private company with a fair value of \$nil (December 31, 2020 - \$nil).

The Fund held a level 3 investment in preferred shares of Morgan Solar Inc., a private company with a fair value of \$nil (December 31, 2020 - \$nil).

The Fund held a level 3 investment in convertible bonds of Opera Event Inc., a US private company with a fair value of \$123,970 (December 31, 2020 - \$nil). The fair value of this security is valued at cost.

The Fund held a level 3 investment in common shares of NowVertical Group Inc., a private company as at June 30, 2021, with a fair value of \$287,722 (December 31, 2020 - \$nil). The fair value of this security is valued at cost.

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7. UNITS

An unlimited number of the Fund's units may be issued, which are redeemable at the unitholders' option in accordance with the terms of the Trust Agreement.

During the periods ended June 30, 2021 and 2020, the number of units issued, redeemed and outstanding was as follows:

June 30, 2021

	Units, beginning of period	Issuance of units	Redemption of units	Transfer in/out of units	Redesignation of units	Distribution reinvestment	Units, end of period
Class A	156,631	10,207	(9,886)	(1,047)	-	-	155,905
Class F	174,802	22,769	(13,546)	1,558	-	-	185,583

June 30, 2020

	Units, beginning of period	Issuance of units	Redemption of units	Transfer in/out of units	Redesignation of units	Distribution reinvestment	Units, end of period
Class A	208,620	1,924	(50,188)	-	-	-	160,356
Class F	113,359	30,100	(28,299)	-	-	-	115,160

The increase in net assets attributable to holders of redeemable units per unit for the period ended June 30, 2021 and 2020 is calculated as follows:

Class	2021			2020		
	Increase per series	Weighted average units outstanding	Increase per unit	Increase (decrease) per series	Weighted average units outstanding	Increase (decrease) per unit
Class A	172,335	155,142	1.11	(32,940)	178,320	(0.18)
Class F	148,181	187,499	0.79	18,111	95,577	0.19

8. RELATED PARTY TRANSACTIONS

The Fund has related party transactions with the Manager. Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

Management fee

The Manager of the Fund is responsible for the day-to-day business of the Fund, including managing the investment portfolio, providing investment analysis and making decisions relating to the investment of assets in the Fund. Under the terms of the Trust Agreement, and the management agreement dated January 27, 2006, the Manager is entitled to receive a management fee of 1.9% per annum on the net assets attributable to Class A units and 0.9% per annum on the net assets attributable to Class F units of the Fund calculated and accrued on each valuation date of the Fund.

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8. RELATED PARTY TRANSACTIONS (Continued)

Management fee (continued)

Management fees are subject to HST. The Manager pays brokers or dealers a trailing commission on Class A units up to 1.0% per annum which is paid out of the management fee.

The management fee for the period ended June 30, 2021 was \$63,665 (2020 - \$33,569). Out of this amount, the trailer fee paid to brokers or dealers for the period ended June 30, 2021 was \$17,513 (2020 - \$11,302). As at June 30, 2021, management fees payable was \$(1,748) (December 31, 2020 - (\$2,306)). This amount is reflected in accounts payable and accrued liabilities on the statement of financial position.

Redemption

As disclosed in the simplified prospectus of the Fund, no redemption fee is payable to the Fund. However, the Manager has the discretion to charge a short-term trading deduction of up to 2% of the unit value of units being redeemed within 90 days of their purchase.

The short-term trading deduction for the period ended June 30, 2021 withheld from amounts paid on redemption of securities paid to the Fund amounted to \$Nil (2020 - \$Nil).

Other

Cash and investments at June 30, 2021 and December 31, 2020 are held at the Manager's carrying broker, NBIN Inc.

Certain officers, directors and key personnel of the Manager may become officers or directors of companies that are held in the Fund's investment portfolio. These investments are accounted for at fair value. The Manager maintains a list of these companies on their website at www.goodwoodfunds.com and has adopted appropriate policies and procedures to address conflicts of interest with respect to these relationships. This list may change from time to time, therefore the Manager recommends that investors refer to the website frequently and before making additional purchases of units of the Fund.

Furthermore, from time to time the Manager, certain officers, directors, and key personnel of the Manager or an affiliate of the Manager may accept officer positions and/or directorships and/or provide services to and receive compensation from issuers in which the Fund is invested. In this circumstance, that company would be considered under relevant securities law to be a "connected issuer" to Goodwood Inc. Currently, Goodwood MVR Investors, Inc. and MV Realty Holdings, LLC ("MVR") are considered connected issuers to Goodwood. It is the policy of the Manager to make appropriate adjustments to the fees charged by it to the Fund where the fees or other compensation is received directly from issuers in which the Fund is invested. Total fee rebate paid to the Fund during the period ended June 30, 2021 was \$992 (2020 - \$312) and is credited against management fees in the statement of comprehensive income. Goodwood Management Services Ltd., an affiliate of Goodwood Inc., entered into a 6 year Consulting Agreement with Polaris Infrastructure Inc. (formerly Ram Power Corp) dated May 13, 2015, as amended which expired on May 13, 2021; and Goodwood Inc. entered into a 4 year Consulting Agreement with Medexus Pharmaceuticals Inc. dated October 16, 2018 and 3 year Consulting Agreement with MVR dated August 1, 2020. Goodwood Inc. has adopted appropriate policies and procedures to address conflicts of interest.

In accordance with National Instrument 81-107, Independent Review Committee for Investment Funds, the Manager has established an Independent Review Committee ("IRC") for the Fund. The mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Fund. The Manager charges compensation paid to the IRC members and the costs of the ongoing administration of the IRC to the Fund. These amounts are shown in the statement of comprehensive income. The IRC reports annually to unitholders of the Fund on its activities and the annual report is made available to unitholders on the Manager's website on or about March 31 in each year.

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8. RELATED PARTY TRANSACTIONS (Continued)

Other (continued)

As at June 30, 2021, 694,671 units of Class A and 62,051,9205 units of Class F were owned by parties related to the Manager (December 31, 2020 - 695 Class A units and 65,503 Class F units).

Please refer to note 9 for further details on brokerage commissions with related parties.

9. BROKERAGE COMMISSIONS

During the period ended June 30, 2021, total brokerage commissions paid by the Fund were \$18,403 (2020 – \$6,432). Out of this amount, gross commissions paid to the Manager and NBIN Inc. were approximately \$9,722 (2020 -\$6,432). In addition, commissions and fees on corporate finance transactions amounted to \$29,850, out of this amount Finder Fees paid to the Manager during the period were \$14,100, a portion of which was rebated to the Fund per policy. Please refer to note 8 for further details on rebates.

10. INCOME TAXES

The Fund, a mutual fund trust, is not subject to income taxes on its net taxable gains and its net income for the year if it distributes such gains and income to unitholders. The Fund's Trustee distributes the taxable income of the Fund to unitholders so as to eliminate any income taxes otherwise payable by the Fund. Such distributions are taxable in unitholders' hands.

Capital losses have no expiry and can be used against net realized gains in future years. As at June 30, 2021 the Fund had \$3,698,056 (December 31, 2020 - \$3,698,056) accumulated net realized capital losses. Non-capital losses can be carried forward 20 years and can be used against net taxable income in future years. As at June 30, 2021 the Fund had \$1,935,200 (December 31, 2020 - \$1,935,200) of non-capital losses.

11. CAPITAL MANAGEMENT

The capital of the Fund is represented by the net assets attributable to holders of redeemable units ("NAV"). The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's NAV per unit upon redemption. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable units. There is no external regulatory requirement to maintain a minimum capital amount. There is no external regulatory requirement to maintain a minimum capital amount.