



Goodwood Capital Fund – Commentary as of December 31, 2021

Year-to-date, the Goodwood Capital Fund's (the "Fund", or the "Capital Fund") net asset value ("NAV") per Class "F" unit decreased -4.76%. Over this same period, the S&P/TSX Composite Total Return Index ("TSX") increased +25.09% and the S&P/TSX SmallCap Total Return Index ("SmallCap Index") increased +20.27%. To say we are disappointed with the Fund's 2021 performance would be an understatement, and as the largest single investor in the Fund, no one feels the pain of short-term underperformance more than me.

In broad terms, the Fund's 2021 performance can be characterized as follows:

- 1) Lack of catalysts – several of the Fund's holdings were expected to have positive catalysts in 2021. However, partially due to COVID-19 and other external market conditions, these catalysts did not materialize. We believe these catalysts have been deferred to 2022 and can be a driving factor behind a strong recovery in the stock price;
- 2) Sector rotation – second half of 2021, we witnessed a very strong rotation out of growth and into value/cyclicals. Drivers of this being a rise in interest rates and a surge in commodity prices. This rotation was a headwind for the Fund, as the Fund tends to have a growth bias and very little exposure to commodity businesses (for reasons discussed in our previous commentaries).
- 3) Forced liquidation – we believe several of the Fund's holdings were victims of forced liquidation by either retail investors or small fund managers. Given the low market capitalization and trading liquidity, even the smallest indiscriminate seller can have an adverse effect on the stock's price action. Sometimes stocks are held by diamond hands, sometimes, they're owned by paperback hands. More often than not, small caps are often held by the latter!
- 4) Valuation re-rating – while we wouldn't characterize the Fund's holding as expensive vis-à-vis their intrinsic value; some may appear modestly expensive on near term multiples. We certainly weren't buying unprofitable businesses trading at double-digit EV/Sales multiples. Still, a modestly profitable business trading at 5x EV/Sales saw a significant re-rating in the latter half of 2021.

As we look forward to 2022 and beyond, we continue to believe the Fund's holdings have the potential to deliver strong returns. Irrespective of how the shares performed in 2021, the Fund's holding continued to execute fundamentally, giving us the confidence and conviction to continue to own the investments. Furthermore, while fundamentals improved, valuations re-rated, which we believe sets up the Fund's holdings nicely for future returns.



Best,

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The Goodwood Capital Fund is offered by Prospectus, which contains important information about the Fund, including management fees, other charges and expenses and should be read carefully before investing. Mutual funds are not guaranteed, their values change frequently, and past performance is not indicative of future performance and may not be repeated.

Standard performance data has been calculated for the Goodwood Capital Fund. Class F units have been distributed since July 8, 2016 and therefore annual compound return for that class for the 10 year period is not available. Other class or series or strategies, may charge different fees and/or have different holdings and therefore returns between classes and Funds may vary. The 5, 3, 1 year and since inception returns as of December 31, 2021 are: +8.83%, +18.12%, -4.76% and +10.14%. **Prior performance of the Goodwood Capital Fund up to and including May 12, 2019 relate to periods of time when the Fund's lead Portfolio Manager was Peter Puccetti, CFA. Gajan Kulasingam, CFA, CPA, CA became the lead Portfolio Manager of the Fund on May 13, 2019 and effective October 4, 2021, Waypoint Investment Partners Inc. was appointed as Sub-Adviser. Gajan Kulasingam remains principally responsible for the day-to-day investment advice provided by the Sub-Adviser on behalf of the Fund. There was no change to the investment strategy of either Fund.** The indicated rates of return are the historical total returns over the periods noted, including changes in unit value and reinvestment of all distributions. These indicated rates of return are net of all management fees, expenses and performance incentive fees (where applicable). Please refer to the Prospectus



for details and other important information. In addition, performance data represents past performance and is not indicative of future performance. Performance data from certain market indices (S&P/TSX Small Cap TRI, S&P/TSX Composite TRI) are provided in this commentary for information purposes only. A comparison of the Fund's performance to such market indices is of limited use because the composition of the Fund's portfolio may contain other securities not found in the market index. As a result, no market indices are directly comparable to the results of the Fund.

CONFLICTS OF INTEREST DISCLOSURE: Principals of Goodwood may, from time to time, accept officer positions and/or directorships and/or provide services to or have other relationships with companies unrelated to Goodwood, including issuers in which clients are invested. In this circumstance, that company would be considered under relevant securities law to be a "connected issuer" to Goodwood. **Currently, MV Realty, PBC, LLC ("MVR") and Goodwood MVR Investors, Inc. are considered connected issuers to Goodwood.** Goodwood has entered into a four year consulting agreement with Medexus Pharmaceuticals Inc. dated October 16, 2018 and a 3 year Consulting Agreement with MVR dated August 1, 2020 pursuant to which Goodwood receives cash compensation for providing strategic advisory services. Goodwood may also provide services to other issuers in which clients are not invested. A list of issuers for which a director, officer and/or key personnel of Goodwood act as a director and/or officer or with which Goodwood has another relationship can be found on the Goodwood website at www.goodwoodfunds.com. This list may change from time to time, therefore we recommend that investors refer to the website frequently and before making additional purchases of units of the Goodwood Funds.