Galibier Capital Management Ltd.

Quarterly Investment Review

Q1 2014

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Results

Despite the brutal winter weather in Eastern Canada this year, we at Galibier bundled ourselves up each morning, came to work and found some stocks to buy. Our two investment pools now contain 23 names in Canada and 30 names in the U.S. The portfolios continue to be concentrated in high conviction ideas and offer diversification across business sectors and market capitalization ranges. Each of the 53 companies in the portfolios demonstrate all of our five key criteria: an enduring competitive advantage, the potential for high free cash flow, strong management teams, above average growth and an appropriate financial structure.

The first quarter of 2014 provided solid returns in Canada and the U.S. with the Canadian market generating performance of +6.1% (S&P/TSX) while the U.S. market produced performance of +5.8% (S&P500 C$). In Canada, the performance was led by the Healthcare, Materials and Energy sectors. In the U.S., the market was led higher by Utilities, Healthcare and Financial stocks.

For the year ended March 31/2014, performance in the U.S. market was a remarkable +32.4% in C$ while the Canadian market provided +16.0%.

Summary of Results

Period ending: March 31, 2014	3 Months (%)	1 Year (%)	Since Inception (%)
Galibier Canadian Equity Pool	**7.4**	**31.8**	**25.4**
S&P/TSX Comp. (total return)	6.1	16.0	14.0
Galibier U.S. Equity Pool	**4.9**	**36.4**	**30.3**
S&P500 (CAD, total return)	5.8	32.4	30.8

Note:
Return figures are gross of fees and fund expenses.
Return figures are annualized for periods greater than 1 year.
Inception date of the two pools is September 27, 2012.
See Disclaimer at the end of this document for information about the returns.
Source: Galibier Capital Management Ltd, Bloomberg.

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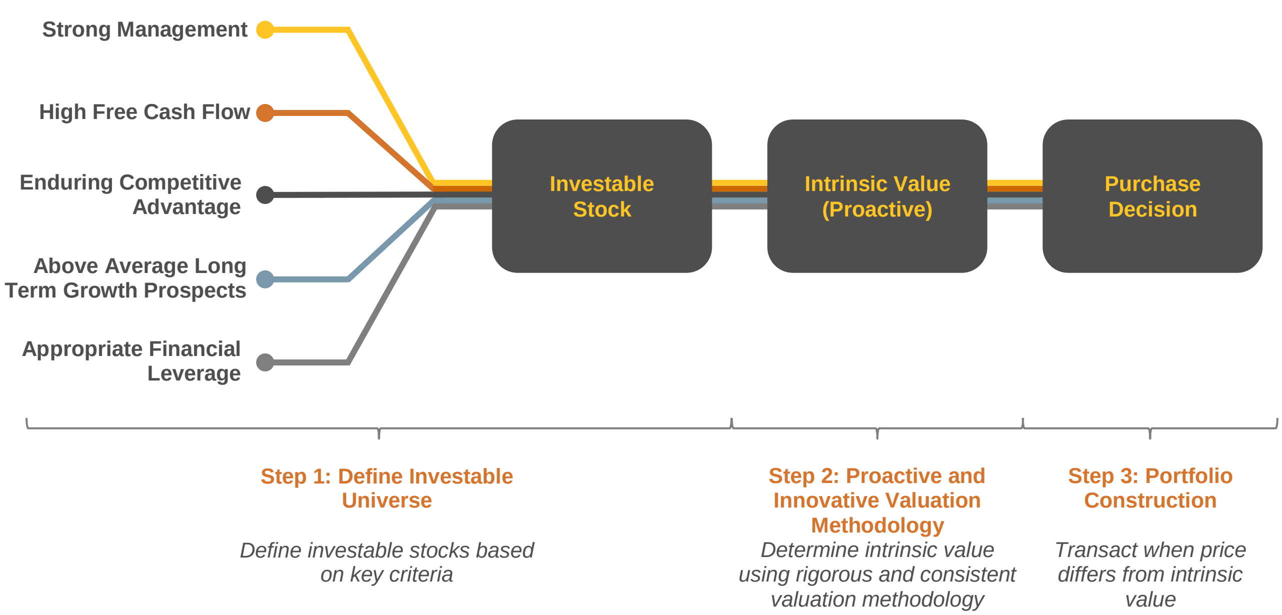
Galibier Capital Management Ltd.

At Galibier we work hard to (1) derive a measure of intrinsic value for a universe of investable stocks and (2) transact when market prices offer opportunities. To paraphrase Warren Buffett "Price is what you pay. [Intrinsic] Value is what you get." Thus, while we welcome price to earnings multiple expansions, what really drives increases in the future *value* of companies is higher future earnings. Our investment process seeks to identify and value future earnings power and balance sheet structure using reasonable expectations about future economic conditions and high discount rates.

Galibier Investment Philosophy and Process

Galibier follows a proactive and innovative valuation methodology



We Believe

- Companies have an intrinsic value that can be calculated
- Market prices do not always reflect intrinsic value
- Growth is a component of value
- At some price, almost all stocks offer a value proposition
- Risk is the permanent loss of capital, not benchmark underperformance
- Investment companies should be independent and investor led
- The success of investment companies should be measured by the success of its clients
- An essential element towards investment success is to have a contrarian mindset… ie. to be sanguine when others are discouraged and to be cautious when others are exuberant….

Galibier Canadian Equity Pool

The S&P/TSX provided strong performance over the quarter with a total return of +6.1%. The Galibier Canadian Equity Pool's investment results were stronger still with a total return of +7.4%. Over the 1-year period ending March 31/2014, Galibier's Canadian portfolio returned +31.8% versus the S&P/TSX +16.0%.

Canadian Equity Pool Top Holdings (March 31/2014)	
	Weight (%)
1. Bank of Nova Scotia	9.0
2. Intact Financial	5.9
3. Cenovus Energy Inc	5.3
4. CGI Group Inc	5.0
5. Canadian Natural Resources Ltd	4.5
6. WSP Global Inc	4.1
7. Dundee International REIT	4.0
8. Manulife Financial Corp	3.9
9. Evertz Technologies	3.9
10. Genworth MI Canada	3.9
Total	**49.5**

Best performers[1]

CARGOJET UP +45%

Cargojet was a strong performer during the quarter. In mid-February, Cargojet announced it had been awarded a transformational contract from Canada Post and Purolator. The contract, effective April 1st, 2015, effectively doubles the revenues of the company. As well, Cargojet will upgrade its fleet to new and more fuel efficient aircraft which will positively impact margins. The company followed up the contract announcement with strong Q4 operating results. In addition, they've suggested they will issue equity in the near future to fund the purchase of new aircraft. Liquidity has been limited in the shares, so an equity issue will be welcome to widen the universe of potential investors.

MARTINREA INTERNATIONAL UP +28%

Martinrea reversed its performance from the previous quarter (-26%) as the previously announced accusations of misconduct were generally refuted by an extensive investigation by independent auditors. Happily, investor focus has returned to analysis of the company's positive fundamentals, its competitive advantage in aluminum casting & forming and improving operations. The company continues to win new mandates from existing customers (large auto OEMs) and going forward, should benefit from higher volumes for existing programs, new program wins and improved levels of profitability.

PARAMOUNT RESOURCES UP +23%

The company's long awaited Musreau Deep Cut gas processing plant is slated to commence production in the second quarter of 2014. Investors bid up Paramount's share price in anticipation of this event and the expected resulting ramp-up of production volumes and ultimately cash flow.

All three of these names remain in the portfolio as core holdings as they continue to offer compelling investment propositions based on Galibier's criteria.

Worst Performers[1]

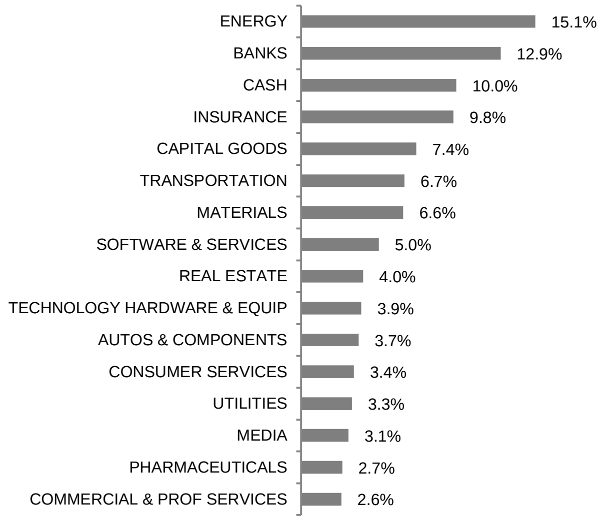
AIR CANADA DOWN -26%

Air Canada, last quarter's top performer, ran into a "perfect [winter] storm" beginning late in the fourth quarter of 2013. Flight operations were compromised dramatically during the key Christmas travel season and throughout the early part of 2014 due to heavy ice and snow storms in the east as well as the rising monetary headwind of a strengthening U.S. dollar. Despite these unusual events we were able to sell some shares at an average price of $9.30 only to buy them back (and more) at $5.30 later in the quarter. Our purchase of these discounted shares is predicated on our view that Air Canada's fundamentals are due to improve sharply in the next few years due to cost cutting associated with fleet renewal, better labour practices and a consolidated airline market in North America.

MCCOY CORPORATION DOWN -15%

McCoy's share price declined as the company's fourth quarter earnings release fell below market expectations primarily due to a large contract being delayed. We continue to like McCoy's fundamentals; its large portfolio of new products in the pipeline, its high dividend yield and pristine balance sheet. It is also a potential takeover candidate for a larger oil field service company. We added to our position in McCoy late in the quarter.

Canadian Equity Pool Industry Split (March 31/2014)



Buys & Sells

Cargojet was the only new position established in the Canadian Equity Pool during the quarter.

CARGOJET

Cargojet is the only provider of open source overnight cargo haulage in Canada. They earn 75% of their revenues through take or pay contracts with well-established companies (like UPS and TransForce Group). They were recently awarded a long term transformational contract with Canada Post and Purolator that effectively doubles the size of the company. This new deal significantly enhances Cargojet's network effect, as the company will upgrade to larger and more efficient planes resulting in higher utilization of their assets and to allow them to become an even better service partner. Furthering this objective, Cargojet has also recently signed a letter of intent to work with Air Canada on mutually beneficial opportunities. Finally, we also like that management is significantly invested in the company assuring strong alignment with shareholders.

During the quarter, the Canadian Equity Pool added to its positions in Cenovus, McCoy, Intact Financial, ScotiaBank, Dundee International REIT, CGI, Evertz Technologies and Goldcorp. The Pool trimmed its position in Air Canada at an average price of $9.30 in January, but subsequently took advantage of a sharp sell-off in the name to purchase additional shares at an average price of $5.30 later in the quarter.

Despite the purchases of both new and existing names during the quarter, significant new funds flow into the Pool resulted in the cash position increasing to 10.0% up from 3.6% at the end of the fourth quarter.

Canadian Equity Pool Dynamics (March 31/2014)

Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	15.3x	14.1x
Dividend Yield	2.3%	2.8%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier U.S. Equity Pool

The S&P500's performance in the quarter was +5.8% in Canadian dollar terms. Galibier's investment results were +4.9% for the quarter. For the year ended March 31/2014, the market was up +32.4% (S&P500 C$) while Galibier's investment result was somewhat better at +36.4%.

US Equity Pool Top Holdings (March 31 /2014)	Weight (%)
1. Verizon Communications Inc.	4.6
2. Google Inc.	4.4
3. Cummins Inc.	4.0
4. AIG	3.8
5. Express Scripts Holding Co	3.8
6. JPMorgan Chase & Co	3.8
7. Sanofi SA (ADR)	3.7
8. Ultratech, Inc.	3.7
9. National Oilwell Varco, Inc.	3.6
10. Ross Stores, Inc.	3.4
Total	**38.8**

Best performers[1]

BOOZ ALLEN HAMILTON UP +25%

Booz Allen had strong returns during the quarter with a number of positive drivers. As they have in the past, management declared another special dividend, with $1 per share being paid to shareholders in February. The company reported strong Q4 results, where they highlighted intentions to focus more on the commercial and international markets. They also received new positive research coverage from multiple Wall Street firms, which attracted investor attention to the company. Finally, Carlyle Group, the controlling shareholder, did a secondary issue of shares into the market, which increased liquidity.

TRIMBLE UP +16%

Shares of Trimble benefited from solid fourth quarter results and investor recognition that growth should continue. In its latest set of results, revenue increased 16% year-over-year as the Engineering & Construction and Mobile Solutions segments both increased greater than 20%. Margin expansion (especially in the Mobile Solutions segment) helped earnings per share increase 50%. Trimble is well positioned to capitalize on further penetration of its core markets (Agriculture, Construction and Engineering) and recent new product launches.

BB&T BANCORP UP +12%

This well run and efficient U.S. super regional bank continues to generate solid returns above its cost of capital. In addition, investors are continuing to anticipate gradually rising interest rates in the U.S. which will augment BB&T earnings nicely when they come to pass.

All three of these names remain in the portfolio as core holdings as they continue to offer compelling investment propositions based on Galibier's criteria.

Worst Performers[1]

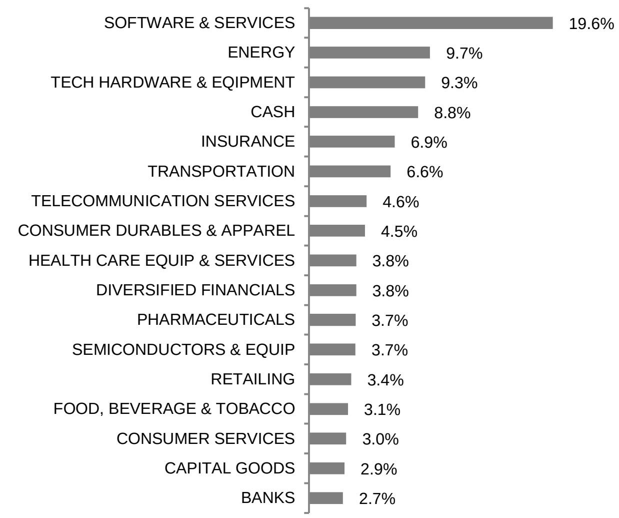
COACH DOWN -7.5%

Coach is in a transition period as investors await a significant rebranding effort under the stewardship of a new internal design team. This is expected in the third quarter of this year. In the interim, the company is experiencing some loss of market share to new emerging competitors such as Michael Kors. We continue to closely monitor developments at Coach.

GOOGLE DOWN -2%

Internet companies such as Google had a bit of a sell-off late in the quarter as investors took profits. We took advantage of this sell off to establish a position in Google.

US Equity Pool Industry Split (March 31/2014)



Buys & Sells

During the quarter, the U.S. Pool established new positions in five names: Ross Stores, Cummins, Priceline Group, Verizon and Google.

Ross Stores

Ross Stores is the second largest "off-price" labelled retailer in the U.S. Despite having close to 1,200 locations, they have significant runway to continue opening new stores as they expand across the country (we think the ultimate opportunity is 2,000 stores). Ross has capitalized on the growing popularity of off-price retail as customers visit frequently for new merchandise and enjoy the treasure hunt experience, which has driven same store sales metrics. The company has 600 in-house merchants which are charged with making the buy decisions on the merchandise mix. The company generates significant free cash flow and is in a net cash position.

Cummins

The world's largest producer of diesel engines, Cummins, has completely reinvented itself and its manufacturing practices. The company now specializes in high value content components while utilizing third party suppliers for commodity components. It spends 4% of revenue on R&D to maintain its technological leadership in the diesel market. Cummins is poised to benefit significantly from tightening emission standards around the world which will lead to continued pressure to upgrade the existing diesel fleet. In 2014, Cummins will benefit significantly from a new contract to supply a critical emissions controlling component to Navistar International. The company has an excellent balance sheet with about $19 per share in net net working capital. It recently raised its dividend by 25%.

The Priceline Group Inc

Priceline is the world's largest on line reservation system. A unique differentiator for the company is that it offers customers the choice of purchasing in the traditional price disclosed manner or utilizing the "Name Your own Price" service where customers bid on travel services. Priceline's competitive advantage comes from its significant relationships with travel service providers and huge database which includes 430,000 properties in 190 countries (including more than 110,000 vacation rental properties). This inventory creates a powerful network effect which results in more than 30 million unique customer visits per month. This network is scalable with very high operating leverage so earnings growth at Priceline has and will continue to be very high. The company has about $76 per share in net net working capital and should generate about $50 per share in earnings and free cash flow this year.

Verizon

Verizon Communications, the leading wireless service provider in the U.S., recently consolidated its wireless division by buying out its long-time partner Vodafone for $130 Billion. The company should benefit from having full control of this lucrative asset with faster product innovation and integrated offerings across all of its assets. With a competitive advantage from historic investment in its network and wireless spectrum, a high degree of recurring revenue, opportunities for growth in new services (wireless content delivery, connected automobile) and high levels of cash flow to support its balance sheet and further invest in its business, the stock is compelling at this level.

Google Inc

Google Inc., by far the dominate provider of internet search, should continue to benefit as advertisers shift their spending to the internet to deliver their message to potential customers. Google will further benefit from its dominant position in mobile, through its android smartphone platform, as advertisers and consumers spend an increasing amount of time on their mobile devices. The company has demonstrated success in expanding into adjacent markets to exploit new avenues of growth. Additionally, content delivery (Youtube, Chromecast, Google Fiber), application (Google apps for business) and cloud services will further perpetuate growth. With over $160 in net net working capital per share, significant free cash flow and a strong patent portfolio, the company is well positioned to maintain its leadership position.

Over the course of the first quarter the U.S. Equity Pool added to its positions in Iconix, National Oilwell Varco, JP Morgan Chase, MetLife, AIG, Sanofi, Emerson Electric, Ultratech and Booz Allen. The Pool's position in Dupont was sold as its share price appreciated over 45% since our purchase and was trading above Galibier's view of its intrinsic value.

The cash position of the fund is at 8.8% as of March 31, 2014.

U.S. Equity Pool Dynamics (March 31/2014)		
Measure	U.S. Pool	S&P500
FY1 P/E	16.7x	14.4x
Dividend Yield	1.5%	1.9%

Source: *Galibier Capital Management Ltd, Bloomberg*

Notes:

1. *Performance % represents the return to the pool during the most recent quarter and includes the impact of market price changes, buys, sells, and dividends (if any).*

Disclaimer

Galibier Capital Management Ltd. (“Galibier”) is registered with the Ontario Securities Commission as a Portfolio Manager and Investment Fund Manager and with the British Columbia Securities Commission as a Portfolio Manager. This summary does not constitute an offer to sell or buy any securities. All information and opinions as well as any figures indicated herein are subject to change without notice.

The Galibier Canadian Equity Pool and the Galibier U.S. Equity Pool (the “Funds”) are available to accredited investors as that term is defined under Canadian securities legislation. An investment in the Funds will involve significant risks due, among other things, to the nature of the Funds’ investments.

All return figures for the Funds are gross of fees and fund expenses. Indicated rates of return are historical returns, including changes in security value and reinvestment of all distributions and does not take into account any applicable income taxes payable by any security holder that would have reduced returns.

The Funds’ returns are not guaranteed, the values change frequently and past performance may not be repeated.

All returns prior to June 6, 2013 are related to Galibier’s proprietary accounts, as Galibier’s employees were the sole investors in the Funds during this period of time. Returns are presented only for periods during which Galibier has been registered as a portfolio manager. The investment strategies of the Funds have not changed since the Funds’ inception. Canadian securities administrators have expressed concerns regarding marketing returns for proprietary accounts as firms can employ different strategies and take greater risks when managing its own investments without a fiduciary duty to third party investors.