Galibier Capital Management Ltd.

Quarterly Investment Review

Q2 2014

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Results

As we head into the summer months, our two investment pools now contain 27 names in Canada and 29 names in the U.S. (both within our working range of 20-30 stocks per portfolio). The pools are concentrated in high conviction ideas and offer diversification across business sectors and market capitalization ranges. All of the 56 companies in the portfolios demonstrate our five key criteria: an enduring competitive advantage, the potential for high free cash flow, strong management teams, above average growth and an appropriate level of financial leverage.

The second quarter of 2014 provided quite strong returns in Canada and more muted returns in the U.S. The overall Canadian market generated performance of +6.4% (S&P/TSX) in Q2 while the U.S. market generated +1.6% (S&P500 C$). In Canada, the performance was led by the Energy, Industrials and Materials sectors. In the U.S., the market was led higher by Energy, Utilities and Information Technology stocks.

For the year ended June 30/2014, performance in the overall Canadian market was +28.7% and +25.8% in the U.S. market (in C$).

Summary of Results

Period ending: June 30, 2014	3 Months (%)	1 Year (%)	Since Inception (%)
Galibier Canadian Equity Pool	**10.2**	**42.8**	**28.3**
S&P/TSX Composite (total return)	6.4	28.7	15.9
Galibier U.S. Equity Pool	**-2.4**	**24.8**	**23.7**
S&P500 (CAD, total return)	1.6	25.8	27.1

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 Note 1 and Disclaimer at the end of this document for information about the returns and benchmarks.
Source: Galibier Capital Management Ltd, Bloomberg.

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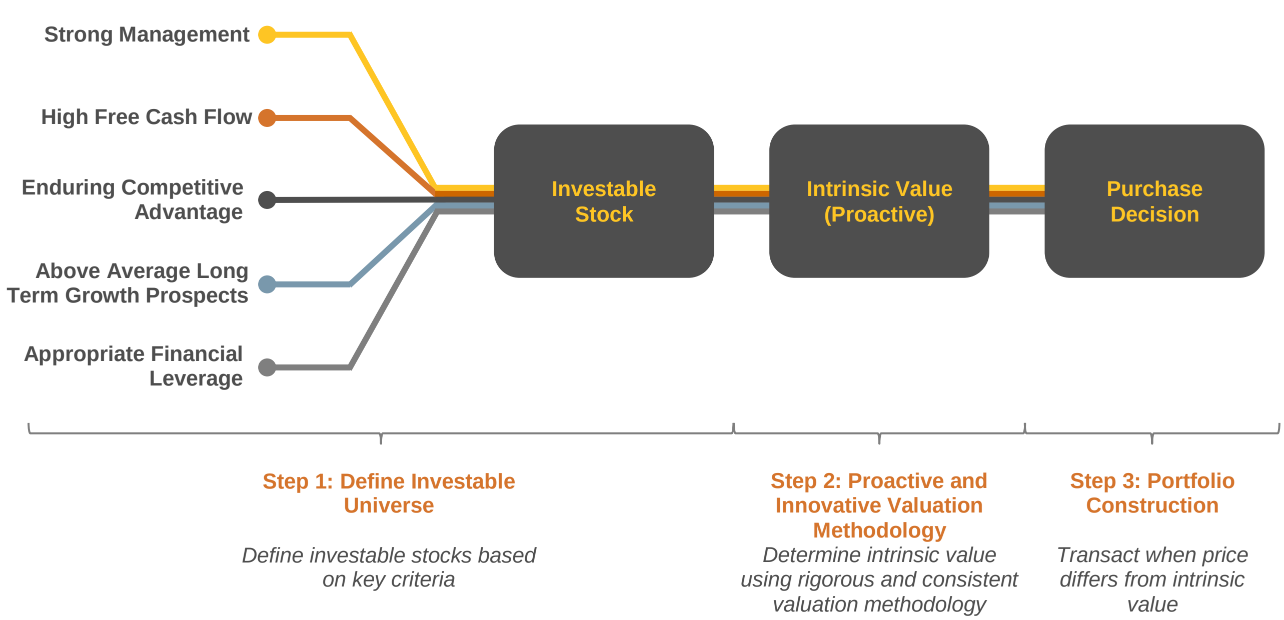
Galibier Capital Management Ltd.

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 +6.4%. The Galibier Canadian Equity Pool's investment results were stronger still with a total return of +10.2%. Over the 1-year period ending June 30/2014, Galibier's Canadian Equity Pool returned +42.8% versus the S&P/TSX +28.7%.

Canadian Equity Pool Top Holdings (June 30/2014)	
	Weight (%)
1. Bank of Nova Scotia	8.9
2. Intact Financial	5.7
3. Air Canada	5.2
4. Cenovus Energy Inc	5.1
5. CGI Group Inc	4.9
6. Canadian Natural Resources Ltd	4.6
7. Martinrea International Inc	4.2
8. WSP Global Inc	3.9
9. Dream Global REIT	3.8
10. Evertz Technologies	3.6
Total	**49.9**

Best performers[2]

AIR CANADA UP +72%

Air Canada's share price bounced back sharply during Q2 2014 after its decline of -26% in Q1. We noted in our Q1 report that we had taken advantage of the price decline by adding to our position at a price of $5.30 per share. This decision has worked out well (Air Canada's share price on June 30th was $9.68) and is a good example of Galibier's investment philosophy at work. When the share price declined in Q1 we reviewed the situation and concluded that the company continued to meet our key investment criteria and that the price decline was likely to be a short-term event. As a result, we added to our position as we believed the company was continuing to execute well operationally as shown by its success in reducing its costs per average seat mile and in enhancing its profitability due to excellent yield management, "densification" of the fleet and the introduction of the economically advantaged 787's.

PRAIRIE SKY ROYALTY TRUST UP +29%

The spin out of the fee simple lands of Encana into the Prairie Sky Trust was a terrific opportunity for investors given the attractive pricing of the deal. We conducted extensive analysis of Prairie Sky and participated in the stock offering. The stock then surged in the aftermarket and we sold our position as the valuation had become less attractive. Our two other large Canadian exploration and production companies, Cenovus and Canadian Natural Resources, both have similar free hold land holdings with the opportunity to unlock value in the future.

MARTINREA UP +28%

Martinrea experienced a positive re-rating by investors after forensic auditors completed their investigation into the company's financial statements and found nothing materially wrong. Additionally, the company and its Board of Directors, including three new independent directors, received substantial support from investors at the latest annual meeting. After nine months of distraction, the company and investors can now focus solely on the company's strong fundamentals and its increasing profit profile.

Air Canada and Martinrea remain in the portfolio as core holdings as they continue to offer compelling investment propositions based on Galibier's criteria.

Worst Performers[2]

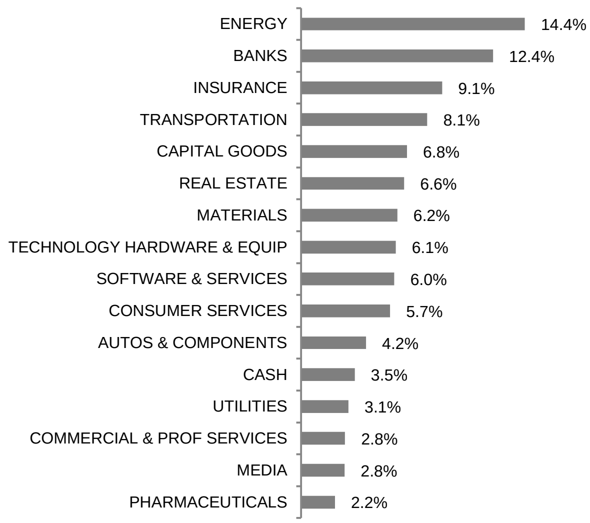
LOYALIST GROUP -20%

Loyalist continues to achieve reasonable progress on its strategy to consolidate English as a second language (ESL) schools across Canada. However, some investors have become displeased with the recent pace of acquisitions which are necessary to drive profitable growth. We at Galibier do not share this view and are pleased with the company's measured pace of acquisition and integration. We are also happy with Loyalist buttressing its management team. We took advantage of significant weakness in the stock during the quarter and added to our position.

VALEANT PHARMACEUTICAL DOWN -7%

Valeant announced its hostile bid for Botox manufacturer Allergan Pharma during the quarter. If successfully completed, Valeant will gain significant critical mass in the derma-care market. The decline in Valeant's share price reflects the market's concern about the price it is paying and the fear that it may have to further raise its bid to secure Allergan. As well, Valeant's tax structure is a major source of its competitive advantage and some investors may be concerned about the durability of this tax structure in the long term. We are closely monitoring the Valeant situation.

Canadian Equity Pool Industry Split (June 30/2014)



Buys & Sells

During Q2 2014, five new positions were added to the Canadian pool. The new names are MTY Food Group, Pure Technology, Tricon Capital Group, BSM Technologies and Prairie Sky Royalty. We will discuss all but Prairie Sky in detail as Prairie Sky demonstrated such strong performance that we sold the shares subsequent to buying them and do not currently have a position in the name.

MTY Food Group

MTY Food Group is the owner of more than 30 restaurant brands in Canada. The company franchises its brands, which include Mucho Burrito, Thai Express, Jugo Juice and Sushi Shop to franchisees who operate the restaurants. MTY collects a top line royalty on sales, while the franchisees provide the capital for startup and continued operation. MTY has a 12% market share in a fragmented quick service restaurant market, with opportunity to deploy their free cash through continued brand consolidation. Management is heavily invested in the shares, and the balance sheet sits with net cash.

Pure Technologies Ltd.

Pure Technologies is an Alberta based leader in the development and application of technologies for inspection, monitoring and management of physical infrastructure such as water & oil pipelines, bridges and buildings. The company's proprietary patented technology utilizes acoustic sensors to gather comprehensive data and information regarding the infrastructures under review. This information helps customers minimize losses and repairs and provides a compelling return on investment. The company has 20% of its value in net working capital, has ample organic growth opportunities and generates significant free cash flow to fund growth. The stock has been on Galibier's watch list for some time and recent weakness provided a compelling entry point. The company was established in 1993 and management remains significant owners of the company today.

Tricon Capital Group Inc.

Tricon is a real estate management company. It acts as an asset manager for a number of institutional investors as well as acting as a principal investor and manager of residential housing assets primarily in the United States. Its competitive advantage is found in its proven ability to profitably manage these residential assets. Management owns a very significant amount of the stock and the company has significant debt capacity to drive growth.

BSM Technologies

BSM Technologies provides proprietary solutions that allow customers to monitor and gather information on mobile fleets or remote assets such as trains, railcars, automobiles or industrial gas tanks. The company's customers use the vast amounts of data generated to lower their operating costs, increase asset utilization rates and satisfy various regulatory requirements. Once deployed by a customer, the ongoing monitoring provides a high degree of recurring revenue and generally leads to follow-on sales for BSM. The company has a substantial net cash position to continue consolidating the fragmented industry and generates free cash flow to fund its organic growth opportunities.

During the quarter, the Canadian Pool added to its positions in Loyalist and trimmed slightly its positions in Air Canada and Paramount Resources largely due to price changes in these stocks.

With these purchases of both new and existing names, the cash position of the pool was reduced to 3.5% which is significantly lower than the 10.0% at the end of the first quarter.

Canadian Equity Pool Dynamics (June 30/2014)

Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	19.0x	14.6x
Dividend Yield	2.4%	2.7%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier U.S. Equity Pool

The S&P500's performance in the quarter was +1.6% in Canadian dollar terms. Galibier's investment results were -2.4% for the quarter. For the year ended June 30/2014, the market was up +25.8% (S&P500 C$) while Galibier's investment result was slightly behind at +24.8%.

US Equity Pool Top Holdings (June 30/2014)	
	Weight (%)
1. Verizon Communications Inc.	4.6
2. AIG	4.5
3. Google Inc.	4.4
4. Express Scripts Holding Co	4.4
5. Ross Stores, Inc.	4.0
6. Cummins Inc.	4.0
7. Priceline Group Inc.	3.9
8. Visa Inc.	3.8
9. Sanofi SA (ADR)	3.7
10. National Oilwell Varco, Inc.	3.6
Total	**40.9**

Best performers[2]

ConocoPhillips up +18%

ConocoPhillips continues to target 3-5% production growth and 3-5% margin expansion through 2017. This growth is driven by the company's North American unconventional resources (in particular the Eagle Ford shale play and the Bakken Formation) which both will provide low cost production growth. The company also has among the highest yields of the independent exploration and production companies which, given investors search for yield, gives Conoco a continued solid value proposition.

Apple Inc. up +17%

Apple benefitted from continued speculation around the rollout of the iphone 6 which is rumoured to offer a larger screen and increased functionality and allow Apple to reaffirm its market leading innovation in the smart phone market. The stock may also have rallied as a result of the 7 for 1 split in the shares, making the entry price for the stock more palatable for smaller investors.

Cisco Systems up +8%

Cisco reported strong revenue improvement in its fiscal 2014 third quarter, with sequential quarterly revenue growth returning for the first time since fiscal 2013. Cisco's management also projects continued sequential revenue improvement into the fiscal fourth quarter. Gross margins were also slightly ahead of expectations.

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[2]

Ultratech down -27%

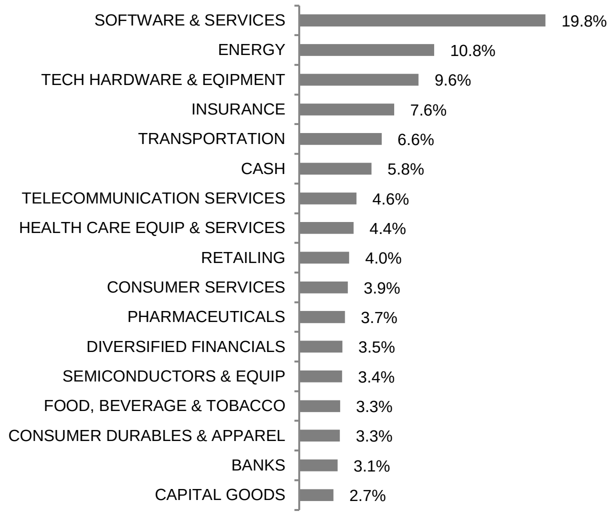
Ultratech was negatively impacted during the quarter as investors reacted to the potential for a delay in orders for its laser annealing tool. Technical challenges being faced by the industry in introducing a new architecture for semiconductors, called FinFet, have caused a delay in ramping up production by Ultratech's customers. This in turn has potentially caused a delay in orders for Ultratech's key product. While the timing is disappointing, the company has ample resources to endure this setback and the anticipated superior performance of the FinFet architecture and Ultratech's tool should lead to substantial growth for the company in the future. We took advantage of weakness in the stock price during the quarter and added to our position.

Ross Stores down -11%

In addition to poor weather, U.S. discount retailers have been impacted by aggressive discounting by mainline retailors (Macy's, Saks, Kohl's) which has reduced inventory available to be resold by off price channel players such as Ross. This discounting has also narrowed the price gap between off price and mainline retailors which has weighed on Ross' margins.

We continue to like the "off price retail format" of both Ross and TJX as we believe that this format is relatively immune to competition from online retailing. With material increases in square footage at Ross Stores over the next few years we see solid earnings out in the 3 to 5 year horizon.

US Equity Pool Industry Split (June 30/2014)



Buys & Sells

During the quarter, the U.S. Pool sold shares in Now Inc. which it received as a spin off from its holding in National Oilwell Varco. As well, the small position in Coach Inc. was eliminated as its competitive advantages have been significantly damaged by competitive rivalry. Because of these developments Coach no longer meets our essential criteria of possession of an enduring competitive advantage.

Over the course of the second quarter, the U.S. Equity Pool added to its positions in AIG, BB&T Bancorp, Booz Allen, Express Scripts, Holly Frontier, Priceline, Ross Stores, Ultratech and Visa Inc.

The cash position of the U.S. Pool at June 30, 2014 is at 5.8% versus the 8.8% as of March 31, 2014.

U.S. Equity Pool Dynamics (June 30/2014)

Measure	U.S. Pool	S&P500
FY1 P/E	15.3x	14.9x
Dividend Yield	1.6%	1.9%

Source: *Galibier Capital Management Ltd, Bloomberg*

Notes:

1. *When evaluating the performance of any investment, it is important to compare it against an appropriate benchmark in order to make an informed assessment of the account's performance based on its investment strategy. Galibier utilizes broad market indexes such as the S&P/TSX Composite index and the S&P 500 index for this purpose as they are the most well-known indices and are most likely to resemble the investment strategy of the accounts. It is important to note that benchmarks do not include operating charges and transaction charges as well as other expenses related to the account's investments, which may affect its performance.*

2. *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.