Quarterly Investment Review

Q1 2017

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Results

"Make Active Management Great Again"

-Galibier Capital

We were recently asked to speak at CFA Society Vancouver's Annual Forecast Dinner. We chose to speak on "The Essence of Investing – Lessons from the Masters". Our speech was really a summary of how Galibier's process and philosophy is an amalgamation of what we view to be the best thinking of some the world's great investors including Buffett, Graham, Lynch, Levy and Jarislowsky. It is the influence of these masters that has shaped *The Galibier Way:*

- Focus on value, not price
- Stay within your circle of competence
- Manage Mr. Market
- Volatility is your friend
- Assess management carefully

During the first quarter of 2017, we were hard at work doing what we do best: applying the Galibier process in search of alpha.

In the quarter, the S&P/TSX Index was up +2.4% while in the U.S., the S&P500 (C$) returned +5.5%. The Trump effect continued and has lead to strong price moves in various sectors as investors' attempted to anticipate policy and fiscal changes under the influence of the new president and his cabinet.

To date in the first 100 days, President Trump has been stymied by a divided House and Senate. A key upcoming milestone is the magnitude of the highly anticipated tax cut. As well, investors continue to await potentially far reaching changes to U.S. trade policies, a reduction in the regulatory burden for financial services companies, a significant alteration to the Affordable Health Care Act and, perhaps, price controls on pharmaceuticals.

The top performing sectors in Canada were Information Technology (+6.9%), Consumer Discretionary (+6.5%) and Utilities (+6.1%). The worst performing sectors were Healthcare (-10.3%) followed by Energy (-6.2%).

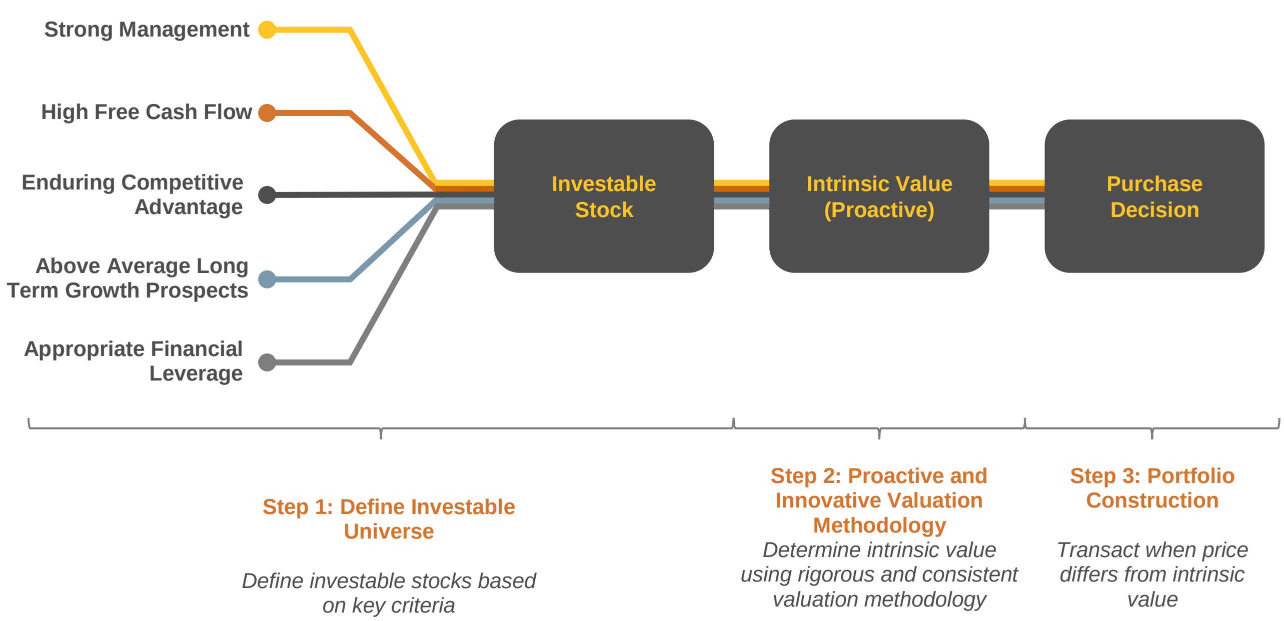
In the U.S., the top performing sector was Information Technology (+11.3%) followed by Consumer Discretionary (+7.3%) and Health Care (+7.2%). The worst performing sectors were Energy (-7.7%) and Telecommunications (-5.0%).

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 Summary of Results						
Period ending: Mar 31/2017	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Inception (%)
Galibier Canadian Equity Pool	**2.7**	**18.7**	**5.3**	**7.3**	**13.0**	**13.1**
S&P/TSX Composite (total return)	2.4	18.6	5.3	5.8	8.3	8.5

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

Galibier Canadian Equity Pool

In Q1 2017, the S&P/TSX provided a total return of +2.4%. The Galibier Canadian Equity Pool's investment results were slightly better at +2.7%. For the one year period ending March 31/2017, Galibier's Canadian Equity Pool returned +18.7% versus the S&P/TSX return of +18.6%. Since its inception, the Canadian Pool has returned +13.1% per year versus the index return of +8.5% per year.

Canadian Equity Pool Top Holdings (Mar 31/2017)		
		Weight (%)
1.	CIBC	6.6
2.	Manulife Financial Corp.	5.6
3.	Gildan Activewear Inc.	5.5
4.	Industrial Alliance	5.4
5.	Cenovus Energy Inc.	5.2
6.	Cargojet Inc.	4.9
7.	Northland Power Inc.	4.9
8.	CGI Group Inc.	4.6
9.	DREAM Global REIT	4.5
10.	MacDonald, Dettwiler & Associates	4.3
Total		**51.5**

Best performers during the quarter[2]

New Flyer Industries up +21%

New Flyer shares posted a strong return in the quarter due to new order figures, continued strength in day-to-day operations, as well as synergies achieved on the 2015 acquisition of Motor Coach Industries (MCI) International. Fourth quarter orders and deliveries, released in January, were ahead of investor expectations. Later in March, the company released its full financials which included strong EBITDA per unit results and excellent free cash flow generation. Finally, synergies between New Flyer and MCI came in higher than expected, with some additional projects resulting in expected savings over the next 12-24 months.

Martinrea International up +20%

Martinrea (MRE) strengthened in the quarter as investor fears around the impact of potential changes to NAFTA eased. This caused the multiple on the stock to expand to a still undemanding 6.0x 2017 earnings. Management continues to focus on winning new programs, executing recently won business and increasing the utilization rates of their global manufacturing capacity. All of which should increase the company's operating profit margin towards the near term goal of 6%. There are many 'self-help' aspects to the MRE investment thesis, independent of small gyrations in global auto production cycle and politics. Insiders feel the same way as demonstrated by their recent buying activity in the stock.

Computer Modelling Group up +15%

Shares of Computer Modelling Group (CMG) reacted positively to higher industry rig count during the quarter, which increased 25%. This increase in activity should benefit CMG as they look to renew software licenses with key customers. This was confirmed by management who commented that recent renewal activity was less pressured than in the recent past as the price of oil has rebounded from a year ago. With this appreciation the stock is approaching our view of its intrinsic value.

Parkland Fuel up +11%

Parkland had solid returns this quarter following the company's strong fourth quarter results and higher guidance for 2017. While the closing of the recently announced CST Brands Inc. acquisition has been delayed into Q2, we believe it will be completed and is a significant opportunity for Parkland. Even after the acquisition, Parkland operates in a fragmented industry where they still have meaningful acquisition opportunities.

Worst performers during the quarter[2]

CENOVUS ENERGY DOWN -26%

Cenovus (CVE) pursued an ill-timed and value dilutive transaction slightly before quarter end issuing shares and debt to purchase very significant assets from its partner Conoco. In particular, the company doubled its exposure to large heavy oil plays at both Christina Lake and Foster Creek. Investors were disappointed at the scope of the deal, the loss of the optionality of CVE' s balance sheet and the price paid on the asset transfer.

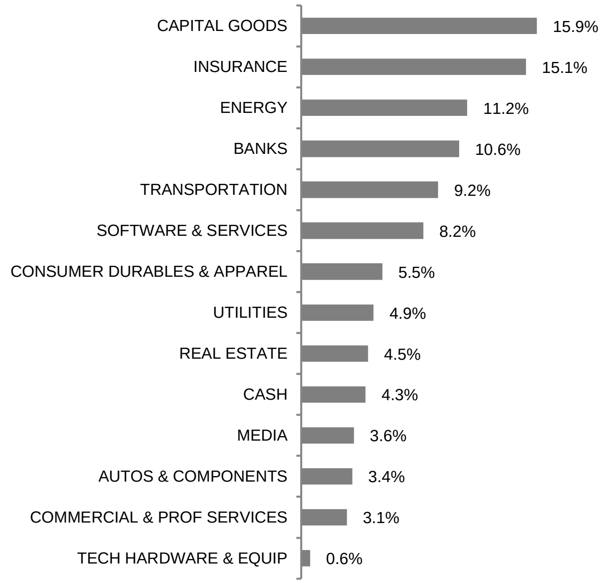
DHX MEDIA DOWN -20%

Shares of DHX were pressured during the quarter as near term revenue and profit expectations were reduced by management. The timing for the production of two upcoming shows was pushed into next year and renewal of subscription video-on-demand content by companies such as Netflix is coming in lower than management expected as customers are being more targeted in the shows they license. Longer term, content continues to be heavily in demand and the inherent cost advantage of being a Canadian-based producer provides DHX with a competitive advantage. This was highlighted recently when DHX was chosen by Dentsu, a large multinational content owner, to revamp the 1990's hit MegaMan for television. DHX shares are trading at an inexpensive 7.6x EBITDA and should benefit from continued sales of its content library and production of new series.

AG GROWTH INTERNATIONAL DOWN -3%

Ag Growth shares were down modestly in the quarter despite stronger than expected financial results. The company continues to execute on integrating its recent acquisitions in the fertilizer space. Ground has broken on their new facility in Brazil and they expect to have it commissioned later in 2017. While the US farm spend remains low, we are encouraged by the activity and outlook on the commercial side of the business, as well as the international opportunities, especially in Brazil.

Canadian Equity Pool Industry Split (Mar 31/2017)



Buys & Sells

Three new names were added to the fund in the first quarter: Exchange Income Corp., Parkland Fuel Corp. and Veresen Inc. In addition, the fund added to its positions in a number of names due to incoming fund flows.

Three positions were eliminated: Badger Daylighting Ltd., DH Corp. and Gluskin Sheff & Associates.

As a result of these transactions and fund inflows, the cash position grew slightly to 4.3% from 4.1% at the end of the prior quarter.

New Buys:

EXCHANGE INCOME FUND

Exchange Income Fund is a collection of companies with dominant market shares in niche end markets. The legacy airlines segment owns six different operating airlines that provide passenger, medvac, cargo and charter service to the far north in Canada. These are essential services as most of these communities are unreachable by road. Within its Aerospace segment they own a business called Regional One, which supplies parts internally to their legacy airlines, but also buys planes and either "parts them out", leases or overhauls them. The management team has a good track record of allocating capital and their way of thinking is very aligned with Galibier – owning high quality businesses with competitive advantages.

Parkland Fuel

Parkland is Canada's largest independent fuel marketer. They offer fuel to market through three channels - commercial, retail and wholesale. Scale is a significant competitive advantage in this industry, as it generates a pricing advantage in fuel, where fractions of a cent are crucial. Parkland's current network is over 1,100 stations and will grow to include another 400 more after the closing of the CST Brands Inc. acquisition. The management team has a demonstrated record of successful integrations including leveraging convenience store opportunities.

Veresen

Veresen owns and operates a major pipeline from Western Canada into the United States called Alliance Pipeline. The company has recently opened pricing negotiations and is investigating the potential for further capacity expansion. Veresen, through a joint venture with private equity firm KKR, is financing a significant midstream development in the Montney, underpinned by a contract with EnCana's Cutbank Ridge Partnership. These new projects provide Veresen with a clear growth path. Longer term, there is still potential for development of their LNG facility at Jordan Cove, which is a free option.

Canadian Equity Pool Dynamics (Mar 31/2017)

Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	18.2x	15.0x
Dividend Yield	2.9%	2.7%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier U.S. Equity Pool Summary of Results

Period ending: Mar 31/2017	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Inception (%)
Galibier U.S. Equity Pool	**5.1**	**18.4**	**8.1**	**11.2**	**17.0**	**17.2**
S&P500 (CAD, total return)	5.5	20.8	12.1	17.6	21.1	21.8

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

Galibier U.S. Equity Pool

The S&P500 returned +5.5% in Q1 2017 as measured in Canadian dollar terms. Galibier's investment results were +5.1% for the quarter. For the year ended March 31/2017, the Galibier U.S. Equity Pool's investment result was +18.4%. Since inception, the U.S. Pool's annualized return has been +17.2%.

U.S. Equity Pool Top Holdings (Mar 31/2017)

		Weight (%)
1.	Kering ADR	5.2
2.	Zimmer Biomet Holdings Inc.	5.0
3.	Alphabet Inc.	5.0
4.	Emerson Electric Co.	4.8
5.	Las Vegas Sands Inc.	4.6
6.	J.P. Morgan Chase & Co.	4.6
7.	Thermo Fisher Scientific Inc.	4.6
8.	Echo Global Logistics Inc.	4.4
9.	Davita Inc.	4.4
10.	BB&T Corp.	4.3
Total		**46.9**

Best performers during the quarter[2]

TIFFANY & CO. UP +23%

Tiffany benefitted from a number of factors in the quarter including the ongoing effect of the "Trump Bump". Hopes for tax reform and its commensurate impact on consumption bodes well for Tiffany's fortunes. As well, continued evidence of better demand prospects in Asia also suggests Tiffany's earnings may be on the upswing.

ZIMMER BIOMET HOLDINGS UP +18%

Zimmer was added in the fourth quarter of 2016 after concerns about inventory management damaged the shares. The company seems to have regained its footing during Q1 and these investor concerns appear to be behind them. The stock re-rated sharply upward over the quarter and has closed the gap on our assessment of its intrinsic value.

KERING UP +16%

This multi-brand luxury good empire reported very strong fourth quarter results and the stock again reacted well. Kering is firing on many cylinders and kudos should be extended to its highly effective management team for maximizing value at both Gucci and Yves Saint Laurent in particular. As well, there is evidence that things may be turning in a positive direction at problem child Puma which could have a material impact on Kering's future fortunes.

VISA UP +14%

Visa is a transactional juggernaut and benefits from a number of secular tailwinds including increased penetration into developing markets coupled with strong consumption trends at home. Visa's balance sheet is pristine, free cash flow generation is strong and the company continuously invests in its systems and products to buttress its competitive advantages.

Worst performers during the quarter[2]

ECHO GLOBAL LOGISTICS DOWN -15%

Echo was down in the quarter following the release of its fourth quarter results. In late September 2016, as part of the integration of their Command Transportation LLC acquisition, the sales staff were consolidated onto one common technology platform, which resulted in temporary productivity declines. Management expects this transition will take four to six months as staff becomes more comfortable with the new sales capability. In more positive news, management has seen early indications of the expected revenue synergies with Command, signing some pretty significant new deals with their combined service offering.

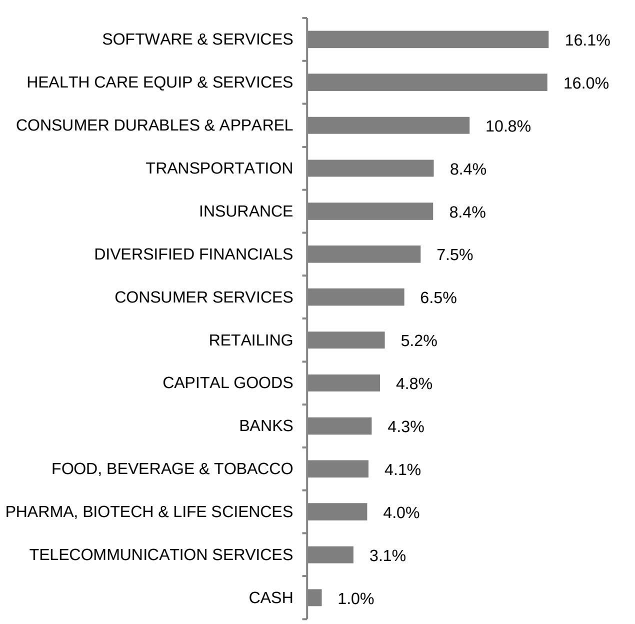
BB&T down -5%

In general, U.S. financial companies such as BB&T gave a bit back in the quarter as investors became a more cautious about the ultimate timing and scope of President Trump's promised tax cuts and deregulation measures. With further interest rate increases anticipated, we are sanguine about BB&T's future earnings and remain committed to this super regional bank.

Express Scripts down -5%

Investors appear to be concerned about a few issues at Express Scripts (ESRX). The company is likely to lose a large customer as the contract for its largest client, Anthem, will be soon up for renewal. This, coupled with concerns about increasing competitive rivalry with some of its peers and uncertainty about the re-write of the Affordable Health Care Act, has dampened expectations about the pharmacy benefit management industry. Long-term, we see ESRX as part of the solution in health care cost management.

U.S. Equity Pool Industry Split (Mar 31/2017)



Buys & Sells

During the quarter, three new names were added to the portfolio: Deutsche Telekom, ING Groep and Ryanair Holdings. In addition to the new names, the fund added to its positions in Biogen and Echo Global Logistics.

The fund reduced its exposure to Davita, J.P. Morgan, MetLife, Polaris Industries, Tiffany, VF Corp. and Visa. Three positions were eliminated: CSX Corp., Priceline Group and Verizon Communications.

As a result of these transactions, the cash position at quarter end was 1.0%, below the 2.0% position at the end of Q4 2016.

New Buys:

Ryanair Holdings PLC

Ryanair is a European ultra-low cost carrier operating from 85 bases and 33 countries. This stock had been underperforming given Brexit uncertainties over the economy, the weak British Pound and the risk of terrorist threats. However, the combination of scale, low cost and low fares will allow them to continue to grow capacity in Europe and take market share from other airlines. In addition, the airline continues to grow ancillary revenues and generates strong cash flow to fund new aircraft, pay dividends and buyback shares.

ING Groep N.V.

ING is a Dutch based retail and commercial bank operating primarily in Europe. It has successfully completed its restructuring and shed insurance and non-core international markets. While ING is very strong in the Netherlands and Belgium, they are increasingly competitive in markets such as Germany where they operate a direct online banking model without the need for an extensive bank branch network. We currently find European bank valuations attractive relative to the U.S. and find ING to be well capitalized and well positioned within their markets to grow over the long term.

Deutsche Telekom AG

Deutsche Telekom (DT) is the incumbent telecom operator in Germany, owns 67% of T-Mobile U.S.A. (#3 U.S. wireless operator), and operates in a number of other European mobile telecom markets. DT's share price has been fairly flat over the past two years while T-Mobile has seen very strong performance and currently makes up over 40% of DT's value. As such, we see the valuation of DT's remaining assets including Germany as attractively priced. We also expect T-Mobile to continue to grow market share in the U.S. with its innovative "Uncarrier" strategy while improving profit margins and the potential for M&A activity.

U.S. Equity Pool Dynamics (Mar 31/2017)		
Measure	U.S. Pool	S&P500
FY1 P/E	17.0x	16.3x
Dividend Yield	1.8%	2.0%

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 percentage 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, with the British Columbia Securities Commission as a Portfolio Manager, with the Nova Scotia Securities Commission as a Portfolio Manager, with the Autorité des Marchés Financiers in Quebec as a Portfolio Manager and Investment Fund Manager and with the Alberta 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, the Galibier U.S. Equity Pool and the Galibier Opportunities Fund (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. 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 of the Galibier Canadian Equity Pool and the Galibier U.S. Equity Pool prior to June 6, 2013 and of the Galibier Opportunities Fund prior to November 30, 2014 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.