Quarterly Investment Review

Q4 2018

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"Really successful people say no to almost everything"

- Warren Buffett

The 4th quarter of 2018 was a tumultuous one marked by significant day-to-day market volatility and disappointing investment returns. However, in the same way as "one swallow does not a summer make", so too "one quarter does not a disaster make". Over the long-term equity markets continue to generate quite acceptable returns. For example, over the past 10 years the S&P/TSX Composite (total return, CAD) has been up 7.9% per year and the MSCI World Index (total return, USD) has been up 9.7% per year. In contrast, the bond market as measured by the FTSE TMX Canada Universe Bond Index (total return, CAD) returned an annualized 4.2% for the last 10 years.

The above quote from Warren Buffett speaks to a key element of the Galibier investment process: defining our investable universe. We start with thousands of companies and winnow them down using our investment criteria as a filter. Ultimately, we are left with a much smaller universe of high quality names. For a company to be in the Galibier investable universe, it must demonstrate all five of our criteria, namely:

1. *An enduring and sustainable competitive advantage.*
2. *A strong management team with a demonstrated record of maximizing on that competitive advantage while applying strong ESG practices.*
3. *High free cash flow generation and good returns on invested capital.*
4. *Employing an appropriate level of financial leverage.*
5. *Above average long term growth prospects.*

So if we start with a potential universe of say 10,000 securities and winnow it down to an investable universe of 500, then we are saying "NO" a lot.

During the quarter, a number of macroeconomic factors affected equity markets. The major factor impacting the Canadian market was commodity prices, particularly energy. Over the quarter, the price of oil fell sharply and base metals such as copper and zinc also continued to weaken.

In the U.S., with index valuations at sky high levels, the actions of the Federal Reserve became a major preoccupation of the markets. In fact, the sharp and prolonged reaction to the early December rate increase of 25bps signaled that the market is concerned that further increases may lead to a recession.

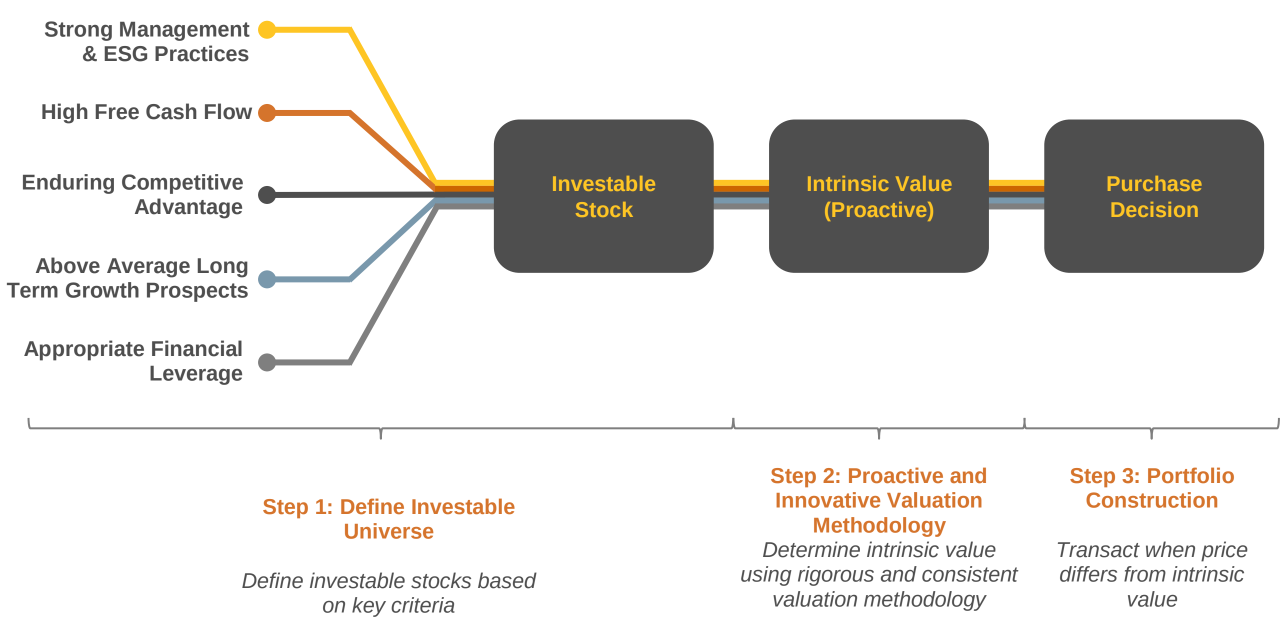
In tumultuous times we continue our never ending focus on the microeconomic factors that drive the value of individual companies over the long term. It is this focus that defines our investment universe and our calculation of intrinsic value which ultimately drives our investment decisions.

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 – *The Galibier Way*

*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
- Concentration is essential for generating alpha
- 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: Dec 31/2018	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	5 Year (%)	6 Year (%)	Since Sep 27/12 (%)
Galibier Canadian Equity Pool	**-15.4**	**-10.5**	**0.9**	**7.3**	**3.2**	**5.6**	**9.4**	**9.1**
S&P/TSX Composite (total return)	-10.1	-8.9	-0.3	6.4	2.5	4.1	5.5	5.5

Notes:

- *i.* *Return figures are gross of fees.*
- *ii.* *Return figures are annualized for periods greater than 1 year.*
- *iii.* *The Funds' returns are not guaranteed, the values change frequently and past performance may not be repeated.*
- *iv.* *Inception date of the fund is September 27, 2012.*
- *v.* *Returns are presented only for periods during which Galibier has been registered as a portfolio manager.*
- *vi.* *The investment objectives of the Galibier Canadian Equity Pool have not changed since the Funds' inception.*
- *vii.* *All returns of the Galibier Canadian Equity Pool 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. 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.*

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

For the one year period ending December 31/2018, Galibier's Canadian Equity Pool returned -10.5% versus the S&P/TSX down -8.9%. Since inception, the Canadian Pool's annualized return has been +9.1% per year which was ahead of the +5.5% annual return of the index. At the end of the quarter, the active share[3] of the portfolio was 84%.

Canadian Equity Pool Top Holdings (Dec 31/2018)

		Weight (%)
1.	Cargojet Inc.	6.4
2.	Intertape Polymer Group Inc.	4.7
3.	NFI Group Inc.	4.6
4.	CIBC	4.6
5.	Ag Growth International Inc.	4.6
6.	Spin Master Corp.	4.5
7.	Premium Brands Holdings Corp.	4.4
8.	CCL Industries Inc.	4.3
9.	Metro Inc.	4.1
10.	iA Financial Corp.	4.0
Total		**46.2**

Best performers during the quarter[2]

Metro up +18%

Shares of Metro (MRU) performed well during the quarter as recent results demonstrate the company was able to successfully pass along price increases to customers across its network of over 1,200 locations and combat recent cost inflation. Additionally, the integration of recently acquired Jean Coutu is progressing well and initial synergy estimates are likely to be low. The higher cash flow generation has allowed the company to reduce debt ahead of schedule and resume share buybacks.

Enbridge up +3%

In addition to solid financial results, positive news for Enbridge continued to support the share price in the quarter. The replacement of Line 3, which transports Canadian oil from Alberta to Wisconsin, should be in service by early 2020 and will help earnings growth. As well, the company increased its dividend 10% (now yielding ~7%) and continues to navigate the political landscape to obtain permission to expand its pipeline capacity.

Northland Power up +1%

Shares of Northland Power (NPI) held in during the quarter, which is a reflection of its long-term contracted revenue base that is complimented by the growth in its development pipeline. Progress continues on its Deutsche Bucht offshore project which is expected to be completed at the end of 2019. The development pipeline continues as NPI works towards recently awarded projects in Taiwan. Also in the quarter, Northland partnered with an engineering and construction firm to pursue wind farm projects in South Korea and abroad. We believe NPI remains well positioned to capitalize on its global power development expertise.

CGI Group stays flat 0%

Shares of CGI Group held in during the volatile fourth quarter. Demand for CGI's services are well supported by the changing technology landscape and a growing backlog of business. The current market volatility should also help CGI increase the frequency of acquisitions, one of its key competitive advantages. CGI was trimmed during the quarter to increase holdings in names that are well below intrinsic value.

Worst performers during the quarter[2]

Alcanna down -61%

Shares of Alcanna sold off sharply during the quarter which was the result of multiple elements. Heading into the end of Q3 and the upcoming legalization of cannabis, Alcanna along with other cannabis related producers and retailers, saw their share prices rise in anticipation. It quickly became apparent that supply was not available to satisfy retail demand, and the entire cannabis space sold off as store shelves were empty and growth plans scaled back. While Alcanna does have exposure to retail cannabis in Alberta, it is a very small part of its business. The majority of its revenues and earnings come from retailing alcohol, where there are significant improvements to the operations underway. The decision by the company to terminate its dividend payment caught investors by surprise and was responsible for the second leg down in share price. We see numerous opportunities for the company to deploy capital into improving the alcohol retailing business and look forward to resulting earnings growth in the next few years.

NFI Group down -32%

Shares of NFI Group sold off during the quarter resulting from a combination of weaker than expected third quarter results and a broad based market sell off that particularly affected small and mid-capitalization companies such as NFI. The company reported start-up costs in the third quarter related to its new Shepherdsville, Kentucky plant, which contributed to the slightly lower profitability versus expectations. These costs will tail off as the company ramps up production at the facility. NFI is often mentioned in international trade related discussions but the company feels the shift from NAFTA to USMCA will not have a material impact on the business. We continue to like NFI's market leadership position in an industry with stable replacement demand, as well as its growth opportunities in electric buses and low-floor "cutaway" buses. Given the prospects of the company and the selloff in the share price, we increased the number of shares we own significantly.

Cenovus down -26%

Cenovus (CVE) had a difficult quarter along with the rest of the energy sector. Over the quarter, the price of oil (WTI) fell from US$72.70 to $45.41. This sharp decline in the commodity price was partially offset by a narrowing in differential between Western Canadian Select and WTI. If we assume that WTI continues to trade in a band between $45 and $60 and that differentials in the medium term continue to narrow in due to increased take away capacity from rail and pipeline expansions, then this puts a net asset value on CVE of mid to high teens per share well above its current market price and hence we will continue to hold our position.

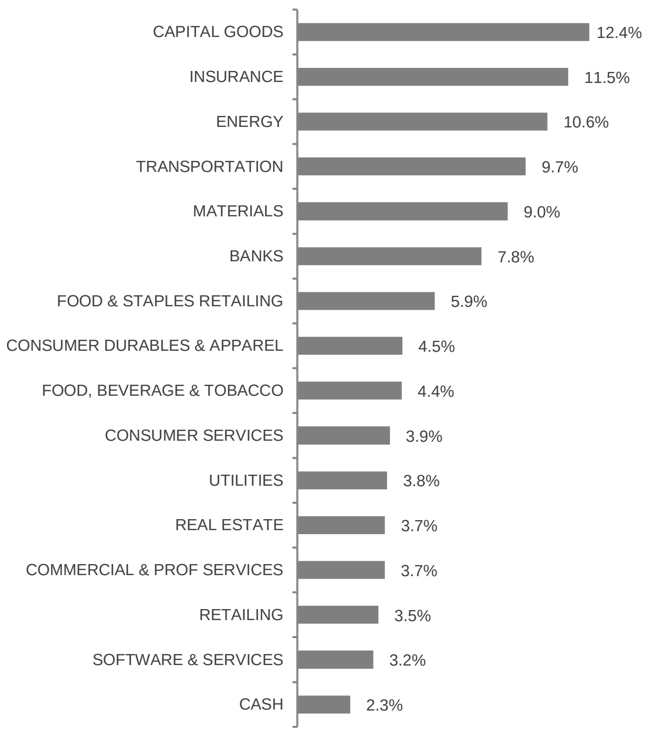
Spin Master down -25%

Spin Master (TOY) shares were weak in the quarter reflecting concerns over the toy industry and its ability to adapt to the exit of Toys 'R' Us from the United States and U.K. markets during 2018. While the Toys 'R' Us bankruptcy created opportunities for other retailers to fill the gap with dedicated toy shelf space, the transition could possibly lead to lower fourth quarter toy sales this year, as less experienced retailers work through the logistics of keeping store shelves stocked with toys during holiday shopping. We see this as a transitory issue and believe that Spin Master will continue to grow its market share of the overall toy industry as a result of its entrepreneurial focus on innovation and its strong portfolio and development pipeline. Similar to NFI, we do not believe the short term issues warrant the exaggerated price move, and as such, we materially increased the number of shares we own during the quarter.

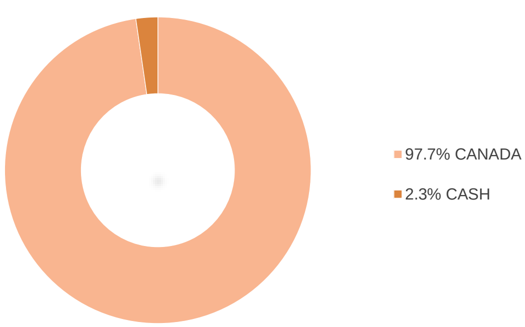
Ag Growth down -25%

As with TOY and NFI, shares of Ag Growth (AFN) were weak in the quarter due in part to the broad based market weakness that particularly affected small and mid-cap stocks. While the third quarter results were slightly below expectations, backlogs across AFN's various business lines were all quite strong, indicating good growth prospects going forward. We remain optimistic about the long-term outlook for the company and expect its operations in Brazil will be contributing positively in 2019. We added to our position during the quarter as we see strong upside over the next five years as the company continues to execute on its strategic plan to grow revenues on new platforms, products and in new geographies.

Canadian Equity Pool Industry Split (Dec 31/2018)



Canadian Equity Pool Geographic Split (Dec 31/2018)



Buys & Sells

During the quarter, two new names were added to the portfolio: Dollarama Inc. and Premium Brands Holdings Inc.

In addition, we added to numerous positions including NFI Group Inc., Spin Master Corp., Park Lawn Corp., Boyd Group Income Fund, Ag Growth International Inc., CCL Industries Inc., Alcanna Inc., Cenovus Energy Inc. and iA Financial Corp.

We reduced numerous positions including CGI Group Inc., Metro Inc., Enbridge Inc., Parkland Fuel Corp. CIBC, Cargojet Inc. and Dream Global REIT.

One position was eliminated during the quarter: Maxar Technologies Ltd.

As a result of these transactions, the cash position fell to 2.3% from 4.8% at the end of the prior quarter.

New Buys:

DOLLARAMA INC.

Dollarama (DOL) is one of Canada's leading retailers focused on selling products for less than $4.00. The company's competitive advantage comes from its retail network of 1,200 stores and its sourcing process which allows the company to offer a compelling value proposition relative to other retailers and still earn an attractive margin and return on capital. Growth is well supported by plans for future store openings (60 per year) and continued introduction of products at higher price points. Management is well aligned with shareholders with 3% ownership. While we have followed DOL for years and believe it meets our investment criteria, the shares have always traded above our estimate of intrinsic value. During the quarter, the shares were pressured as same-store-sales underperformed near-term expectations although have remained strong at close to 4%. We initiated a position in the company as the shares fell below our view of intrinsic value.

PREMIUM BRANDS HOLDINGS CORP.

Premium Brands (PBH) sells and distributes specialty prepared foods such as premium meats, seafood, baked goods and sandwiches to the grocery industry as well as quick serve restaurants and cafes. Key brands include SK Foods, Raybern's, Buddy's, Pillers, Grimms, Oberto and Freybe. The company augments high organic growth with a significant acquisition strategy to consolidate the fragmented food industry and has acquired 33 businesses in the past 5 years.

By leveraging the larger platform of PBH, the acquired businesses, which generally retain key employees and are run autonomously, are able to lower costs and grow faster than if they stayed independent. With its competitive advantage in distribution and acquisitions, supported by strong cash flows and appropriate leverage, the high levels of growth should be sustained and support our view of a higher share price. Similar to DOL, we have followed PBH for years and have patiently waited until a market correction, such as the one we just experienced in Q4 2018, to add the shares to the portfolio at a price below our view of intrinsic value.

Canadian Equity Pool Dynamics (Dec 31/2018)

Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	15.5x	13.0x
Dividend Yield	3.2%	3.4%
Number of Names	25	241
Active Share[3]	84%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Global Equity Pool Summary of Results

Period ending: Dec 31/2018	3 Months (%)	1 year (%)	Since May 12/17 (%)
Galibier Global Equity Pool	**-5.2**	**0.6**	**2.4**
MSCI World (CAD, total return)	-8.5	-0.5	1.3

Notes:

i. *Return figures are gross of fees.*
ii. *Return figures are annualized for periods greater than 1 year.*
iii. *The Funds' returns are not guaranteed, the values change frequently and past performance may not be repeated.*
iv. *Inception date of the fund is May 12, 2017.*
v. *The investment objectives of the Galibier Global Equity Pool have not changed since the Funds' inception.*
vi. *Returns are presented only for periods during which Galibier has been registered as a portfolio manager.*

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 Global Equity Pool

For the one year period ending December 31/2018, Galibier's Global Equity Pool returned +0.6% versus the MSCI World Index down -0.5%. Since inception on May 12, 2017, the Global Pool's annualized return has been +2.4% per year. At the end of the quarter, the active share[3] of the portfolio was 94%.

Global Equity Pool Top Holdings (Dec 31/2018)

		Weight (%)
1.	LVMH Moet Hennessy Louis Vuitton SE ADR	5.4
2.	WABCO Holdings Inc.	4.8
3.	ING Groep NV ADR	4.8
4.	Anheuser-Busch Inbev NV ADR	4.7
5.	Koninklijke Philips NV ADR	4.6
6.	Ryanair Holdings PLC ADR	4.5
7.	Heidelberg Cement AG	4.5
8.	Colgate Palmolive Co.	4.5
9.	Biogen Inc.	4.3
10.	American International Group	4.3
Total		**46.4**

Best performers during the quarter[2]

Merck & Co. up +15%

Merck, one of the world's largest pharmaceutical companies, continued to generate positive news flow due to strong survival benefits for its key oncology drug, Keytruda. In the quarter, the company reported positive clinical results and survival benefits in second line esophageal cancer. This marks the sixth tumor type for which Keytruda has demonstrated a survival benefit. This extension of indication for Keytruda could grow the addressable market for this drug to $15B+ of revenue from the current $7B run rate. This suggests earnings per share rising to $6.25 from the current $4.30 level and an intrinsic value of around $70 per share. As the stock traded well above this level in the quarter, we reduced our position somewhat and redeployed capital elsewhere.

Deutsche Telekom up +12%

The stability of the company's subscription business model helped the stock perform well during the volatile quarter. Additionally, the company moves closer to further consolidating the key U.S. market where they are merging T-Mobile with Sprint. This will allow for greater scale advantages in a business with high fixed costs and a need to fund the build out of a 5G network. The shares moved above our view of intrinsic value during the quarter and we have since reduced the position to fund purchases of companies trading below intrinsic value.

Galaxy Entertainment up +6%

Shares of Galaxy Entertainment performed well in the quarter, primarily due to strong gaming revenue growth reported by the government of Macau in Q4 and the potential for easing of trade tensions between China and the United States. The strong gaming revenue was driven by Macau's improved infrastructure, such as the opening of the Hong Kong-Zhuhai-Macau Bridge, which successfully increased visits to Macau during the holiday season. In our last conversation with its management team, they commented that they are currently on track with the Cotai phase 3 and 4 expansion projects which we expect to provide significant hotel capacity and revenue growth upon completion.

ANTA SPORTS UP +6%

During the quarter, ANTA Sports closed on its proposed acquisition of Amer Sports – a sports equipment and apparel company based in Finland whose well-known brand portfolio includes Arcteryx, Salomon, and Wilson. The acquisition adds premium brands to ANTA's portfolio and we anticipate management to unlock significant revenue growth potential for those brands in China in addition to generating attractive manufacturing cost synergies. Given the high headline transaction multiple paid, investors initially reacted unfavorably to the news and we took advantage of the weakness in the share price to increase our position. We also get comfort from the like-minded investors who joined the deal, notably Lululemon founder, Chip Wilson, and we see ANTA's brands as well positioned for the 2020 Beijing Olympics. Finally, at 14.5x our earnings estimate for 2019 and double digit revenue growth outlook over the long-term, we see the shares as very attractive and below our estimate of intrinsic value.

Worst performers during the quarter[2]

RYANAIR DOWN -22%

Shares of the low cost airline, Ryanair (RYA), were pressured during the quarter after the company lowered its profit expectations for the full year (ending March) by 11.5%. Lower fares and higher fuel costs were highlighted as reasons for the reduced expectations. This comes on top of prolonged labour disruption that has been an issue for the company since 2017 and has pushed the valuation to a five year low. Resolving the labour dispute will increase costs but RYA will remain the low cost carrier in Europe which is the primary source of its competitive advantage. Longer term, the company and share price will benefit from profitably moving more people with the goal of reaching 200 million passengers by 2024 compared to 135 million in the past 12 months.

AMERICAN INTERNATIONAL GROUP DOWN -22%

A combination of weather related super catastrophes such as hurricanes and forest fires led to a difficult quarter of losses for the property and casualty insurers of which AIG is among the largest. As well, increasing uncertainty about the quantum and timing of rate increases and the resultant impact on equity market volatility led to price declines for AIG. In the quarter, with the stock trading well below Galibier's estimate of intrinsic value, the decision was made to top up our position.

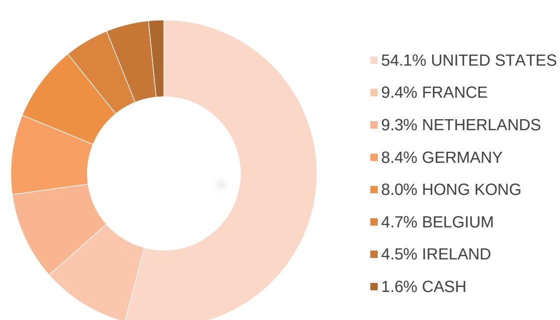
ANHEUSER-BUSCH DOWN -20%

In the quarter, ABInBev (BUD) cut its dividend in half. We applaud this move as it will result in higher free cash flow to allow the company to reduce its debt load from the recent purchase of brewing giant SAB Miller. Longer term, in addition to de-leveraging, Budweiser should benefit from increasing per capita consumption of beer and malt based beverages in emerging markets, particularly in Africa. Some return to economic normalcy in its key South American markets such as Brazil and Argentina would also be very positive. However, beer consumption in developed markets continues to fall which is a headwind for BUD.

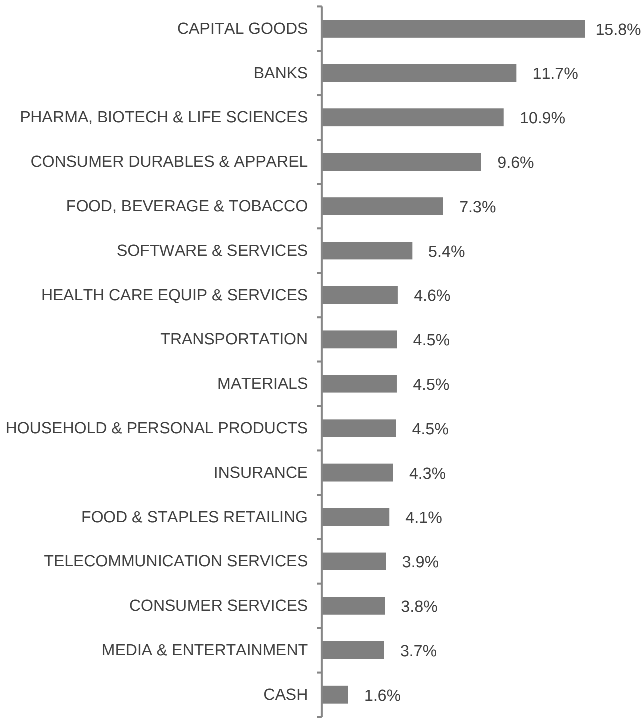
HEIDELBERG CEMENT DOWN -18%

Heidelberg (HEI), the world's largest aggregate company and third largest cement producer, had a difficult year due to both adverse weather conditions in the U.S. as well as higher than anticipated cost inflation (in particular energy) than could be passed on through price increases. These developments have slowed the pace of deleveraging by the company which has a somewhat heavy debt load due to its recent acquisitions. Trading below 10x earnings and yielding 3.6%, HEI is quite attractively valued. Longer term, the company is well positioned to benefit from infrastructure renewal programs.

Global Equity Pool Geographic Split (Dec 31/2018)



Global Equity Pool Industry Split (Dec 31/2018)



Buys & Sells

During the quarter, one new name was added to the portfolio: Koninklijke Philips NV ADR

In addition, we added to numerous positions including LVMH Moet Hennessy Louis Vuitton SE ADR, Biogen Inc., Oshkosh Corp., American International Group, ING Groep NV ADR, Emerson Electric Co., WABCO Holdings Inc., JPMorgan Chase & Co., Schneider Electric SE, Anta Sports Products Ltd., Anheuser-Busch Inbev NV ADR, Heidelberg Cement AG, Ryanair Holdings PLC ADR, Cognizant Tech Solutions Corp. and BB&T Corp.

We reduced our positions in Merck & Co. Inc. and Walgreens Boots Alliance Inc. One position was eliminated during the quarter: Starbucks Corp.

As a result of these transactions, the cash position fell to 1.6% from 9.5% at the end of the prior quarter.

New Buys:

KONINKLIJKE PHILIPS N.V. ADR

Netherlands-based Koninklijke Philips is a company that has been on our radar for a long-time. Over the last 3 years, the company has refocused its operations to become a global leading healthcare player with strong market positions in diagnosis and patient monitoring equipment as well as personal health products. We have a strong appreciation for the competitive moat of the business which benefits from high switching costs as well as technological leadership due to its extensive portfolio of patents. Going forward, we anticipate profits to grow at a double digit rate due to the business' exposure to structural growth drivers such as the increasing prevalence of chronic diseases and the adoption of the company's equipment by emerging market countries as well as significant opportunities for self-help driven margin improvement initiatives. After reporting Q3 2018 results, the shares sold off as the company tempered expectations for margin expansion over the next 12 months due to various short-term events we believe management will be able to surmount soon thereafter. As there was no change to our outlook for long-term earnings power, we took advantage of the market reaction to initiate a position at a significant discount to our estimate of intrinsic value.

Global Equity Pool Dynamics (Dec 31/2018)

Measure	Global Pool	MSCI World
Fwd 12M P/E	13.5x	13.5x
Dividend Yield	2.1%	2.7%
Number of Names	25	1,633
Active Share[3]	94%	-

Source: *Galibier Capital Management Ltd, Bloomberg, MSCI Inc.*

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, the MSCI World 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).*

3. *Active share: a measure of the percentage of stock holdings in a portfolio that differ from the benchmark index. Data source: Bloomberg.*

Disclaimer