

Quarterly Investment Review

Q3 2018

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“The stock market is filled with individuals who know the price of everything, but the value of nothing.”

- Philip Fisher

September 30, 2018 marks the 6th anniversary of investment management here at Galibier. Back in 2012, we started our portfolios with only the partners' money and as of Q3 2018 we are now managing \$989 million for pension funds, mutual funds, foundations and individual investors. Thanks to all our clients for your continued belief in us.

In many ways, the above quote from Philip Fisher provided the inspiration behind Galibier's startup six years ago. Our process focuses on the determination of the intrinsic value of a business rather than on the price of its stock. We believe that our rigorous and consistently applied valuation methodology provides Galibier with its competitive advantage.

During the quarter, a number of *macro* factors affected markets. Investors reacted to the spectre of rising interest rates and, in the U.S., trade and tariffs dominated the financial headlines. In Canada, concerns about the eventual resolution of the NAFTA renegotiations was a preoccupation. While in Europe, concerns about Brexit and the rise of populism took centre stage.

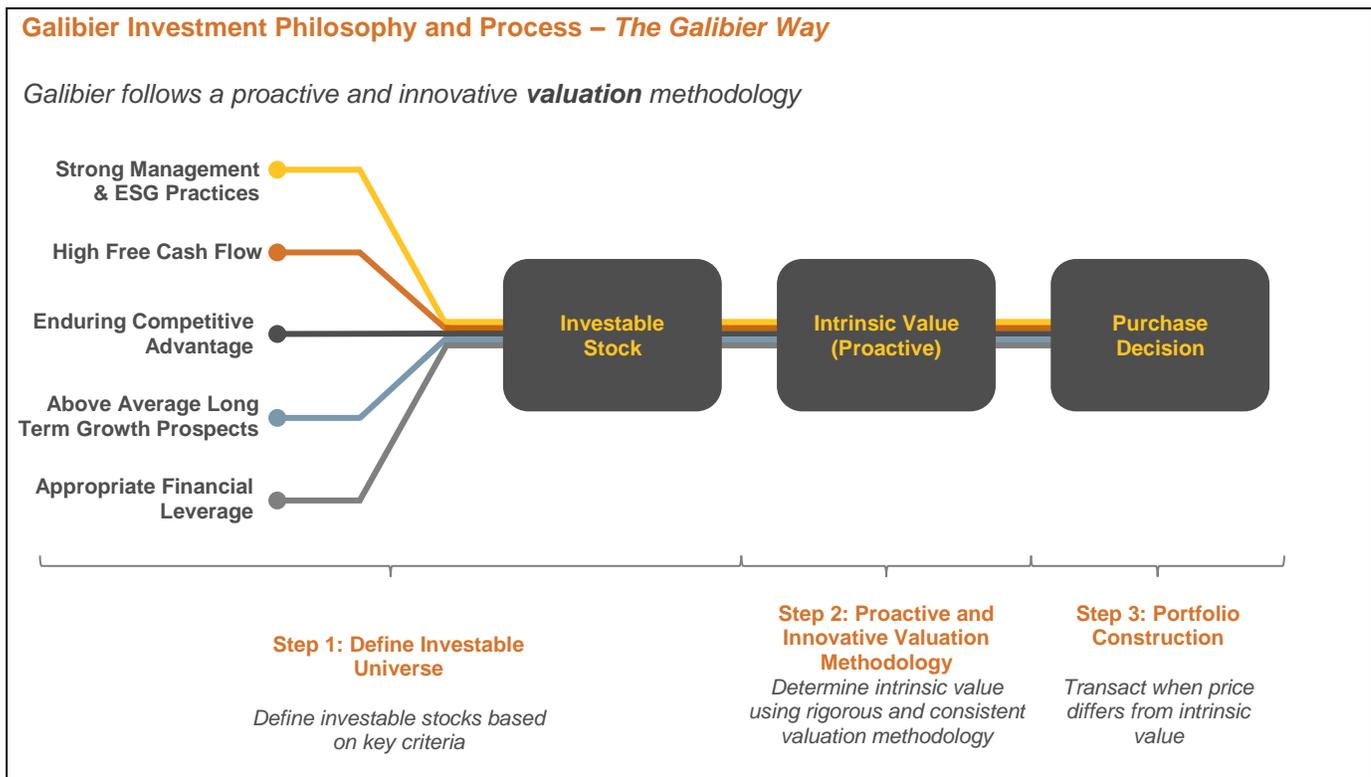
At Galibier, we avoid getting caught up in the “noise” that arises from short-term changes in macro factors. Instead, we keep our heads down and focus on *micro economic* factors – the factors which drive the value of individual companies over the long term. Our focus is always three to five years into the future with carefully thought out projections of earnings power and balance sheet evolution.

The third quarter of 2018 was marked with divergent returns between the -0.6% of the S&P/TSX Composite and the +3.2% of the MSCI World Index. In particular, the U.S. market was relatively strong as investors continued to bid prices higher as corporate earnings increased and rates stayed low. Late in the quarter, the Fed moved rates a symbolic 25 basis points higher which was well expected by the market. Health care and information technology sectors in particular drove the global markets higher.

In Canada, market returns were led down by material and commodity stocks. As well, the protracted NAFTA renegotiation created much uncertainty among Canadian investors. Our expectation continues to be that the resolution of the negotiations will be an immaterial impact on the long-term Canadian economy from the status quo.

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.



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: Sep 30/2018	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	5 Year (%)	6 Year (%)	Since Sep 27/12 (%)
Galibier Canadian Equity Pool	2.9	14.1	12.2	13.1	8.0	11.7	12.6	12.6
S&P/TSX Composite (total return)	-0.6	5.9	7.5	9.7	4.9	7.8	7.7	7.7

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 September 30/2018, Galibier's Canadian Equity Pool returned +14.1% versus the S&P/TSX up +5.9%. Since inception, the Canadian Pool's annualized return has been +12.6% per year which was ahead of the +7.7% annual return of the index. At the end of the quarter, the active share³ of the portfolio was 84%.

Canadian Equity Pool Top Holdings (Sep 30/2018)

	Weight (%)
1. Cargojet Inc.	7.2
2. CIBC	5.6
3. Parkland Fuel Corp.	5.6
4. Ag Growth International Inc.	4.7
5. Dream Global REIT	4.4
6. Intertape Polymer Group Inc.	4.3
7. CGI Group Inc.	4.2
8. Metro Inc.	4.1
9. Enbridge Inc.	3.9
10. Manulife Financial Corp.	3.9
Total	47.9

Best performers during the quarter²

PARKLAND FUEL UP +35%

Parkland Fuel (PKI) had strong performance during the quarter following the release of its second quarter results. The results were well ahead of expectations and along with the release, management raised their long term synergy targets related to the recent CST and Chevron acquisitions. Crack spreads at the Burnaby refinery remained above the long term averages during the quarter, which will be accretive to management guidance. Finally, PKI announced a number of small acquisitions in the United States which demonstrates management's interest in growing out a U.S. platform over time. We continue to like the long term outlook for Parkland as it executes on the integration of its recent acquisitions and pays down debt to free up the balance sheet for future transactions.

CARGOJET UP +30%

Cargojet's (CJT) share performance during the quarter reflected both its solid operating performance and the interest of investors in finding a way to invest in the e-commerce supply chain. Cargojet volumes have been increasing double digits and management recently commented they are expecting explosive growth in the always busy fourth quarter. With delivery times for all e-commerce retailers compressing, Cargojet offers the only solution for overnight delivery to cities across Canada. With its major customers under long term contract, we expect Cargojet has a long runway of growth ahead.

ALCANNA UP +19%

Alcanna shares started to gain traction in the quarter as it made progress on several company initiatives. The foundation of the business is its liquor retailing operations in Alberta, B.C. and Alaska where it is committing capital to a store “refresh” program, the roll out of an enterprise resource planning system and build out of its ‘Wine and Beyond’ stores. We expect significant improvement in operating performance of its Western liquor business as these efforts take hold. The company is also rolling out an Alberta-based cannabis retailing strategy, leveraging its decades of experience in retailing of controlled substances. We expect it will have its first stores open in October 2018 and open dozens more over the next year. With the recently announced rule changes around cannabis retailing in Ontario, management is pursuing a similar strategy in that province, looking to secure key real estate and licenses as the framework is clarified. We believe Alcanna has multiple opportunities to execute on both its alcohol business and the newly developing cannabis retail market.

INTACT FINANCIAL UP +16%

Intact, Canada's largest P&C insurance company with 17% market share, had a solid quarter. Its results were well above consensus, particularly in its core personal auto business. As well, OneBeacon, the recently acquired U.S. specialty insurance business, is showing excellent profitability trends as the combined company realizes on cost and revenue synergies. Looking out to 2023, we forecast earnings approaching \$10 per share which suggests the stock has solid double digit price appreciation potential for the next few years.

Worst performers during the quarter²

MAXAR TECHNOLOGIES DOWN -35%

Shares of Maxar were pressured in the quarter due to the release of a negative report by a short seller. On the positive side, over the quarter the company hired a new CFO, had two senior officials appointed to lead industry organizations and announced several contract awards including the extension of a key contract with the U.S. Government. The company continues to invest in its next generation earth observation platform which will support growth past 2020 leading to higher levels of cash flow and the ability to reduce debt. We took advantage of the weakness by adding to our position during the quarter.

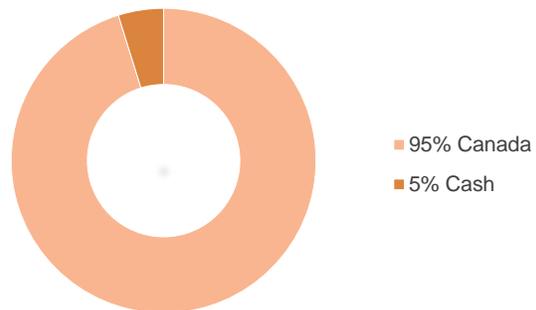
SPIN MASTER DOWN -13%

After being a top contributor in the second quarter, shares of Spin Master weakened during the third quarter. The market had lingering concerns regarding the Toys R Us bankruptcy earlier this year and how that will impact the ever important holiday shopping season. Management is confident that children will continue to have birthdays and celebrate holidays, but are cautious that retailers may shift their buying activity from the usual third quarter into the fourth quarter as they wait for assurance that demand will be in line with expectations. We believe that the disruption by Toys R Us will have cleared through the market by 2019 and that Spin Master's track record of innovation will allow the company to continue to gain market share.

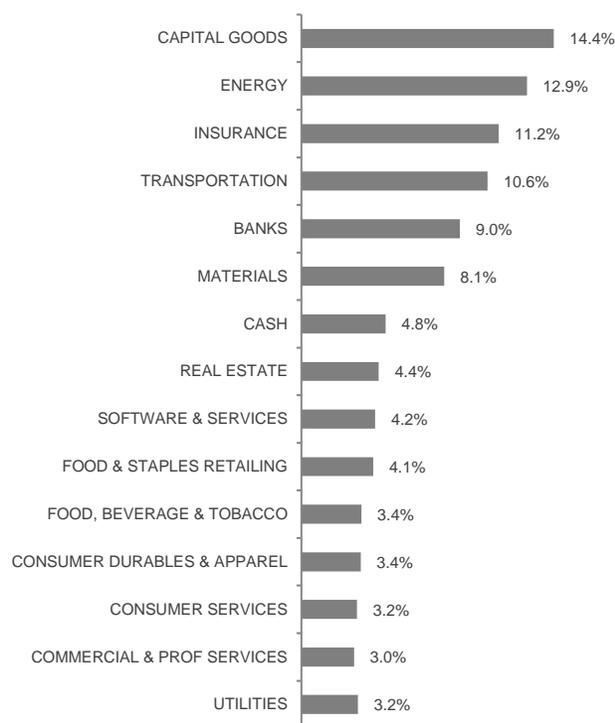
NORTHLAND POWER DOWN -10%

Shares of Northland (NPI) lagged in the quarter due to exceptionally low wind levels in the North Sea which negatively impacted revenues on its Gemini and Nordsee One properties. One other area of investor concern has been the gap between the current in-construction project, DeBu in the North Sea, and the future pipeline of projects in Taiwan, slated to be constructed in 2023 and 2024. Management recently held an investor day event where they outlined a number of the opportunities they are working on to fill that space. We are positive on the outlook for the company as the management team has a demonstrated track record of development successes.

Canadian Equity Pool Geographic Split (Sep 30/2018)



Canadian Equity Pool Industry Split (Sep 30/2018)



Buys & Sells

During the quarter, we added to several positions including CCL Industries Inc., Spin Master Corp., Alcanna Inc., Maxar Technologies Ltd. and Bank of Nova Scotia.

We reduced our positions in Boyd Group Income Fund, Intertape Polymer Group, CGI Group Inc., WSP Global Inc. and Enbridge Inc. One position was eliminated during the quarter: DHX Media Ltd.

As a result of these transactions, the cash position rose to 4.8% from 3.1% at the end of the prior quarter.

Canadian Equity Pool Dynamics (Sep 30/2018)

Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	19.1x	14.6x
Dividend Yield	2.8%	2.9%
Number of Names	24	248
Active Share ³	84%	-

Source: Galibier Capital Management Ltd, Bloomberg

Galibier Global Equity Pool Summary of Results

Period ending: Sep 30/2018	3 Months (%)	1 year (%)	Since May 12/17 (%)
Galibier Global Equity Pool	1.7	13.0	6.9
MSCI World (CAD, total return)	3.2	15.0	8.2

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 September 30/2018, Galibier's Global Equity Pool returned +13.0% versus the MSCI World Index up +15.0%. Since inception, the Global Pool's annualized return has been +6.9% per year. At the end of the quarter, the active share³ of the portfolio was 94%.

Global Equity Pool Top Holdings (Sep 30/2018)

	Weight (%)
1. Walgreens Boots Alliance Inc.	5.3
2. Anheuser-Busch Inbev NV ADR	5.0
3. Ryanair Holdings PLC ADR	4.9
4. Starbucks Corp.	4.7
5. Heidelberg Cement AG	4.6
6. Colgate Palmolive Co.	4.4
7. ING Groep NV ADR	4.1
8. WABCO Holdings Inc.	3.9
9. Alphabet Inc.	3.8
10. American International Group	3.8
Total	44.5

Best performers during the quarter²

WALGREENS BOOTS ALLIANCE UP +20%

Early in the quarter, Amazon made its official entry into the retail pharmacy business with the acquisition of online pharmacy PillPack. The news made a big splash and Walgreens' shares sold off, eventually

reaching a free cash flow yield of 11% at its trough. We continue to believe Walgreen's business will not be materially disrupted by Amazon's entry into the market given the need for a high touch purchase experience, the stickiness of its relationships with insurance payers, the high acuity need of medications, and its sourcing cost advantage as the world's largest purchaser of generic pharmaceuticals. Consequently, we took advantage of the sell off to further build our position in the company at a very attractive risk/reward proposition. Furthermore, we applaud management's decision to launch a \$10 billion share buyback program as we continue to see the shares selling below intrinsic value despite the recent upward movement.

BIOGEN UP +19%

Biogen, among the world's largest biotech companies, saw data released during the quarter on BAN2401, an antibody treatment for early stage Alzheimer's, that gave further hope that its therapies will provide improvement for this prevalent and currently untreatable condition. As well, the company continues to develop its very high potential Alzheimer's formulation, Aducanumab. This formulation, if proven, could be a block buster product with multi-billion dollar revenue potential. Due to the company's global leadership in both multiple sclerosis (Avonex and Techfidera) and oncology (Rituxan), and the resulting huge earnings power of these established drugs, investors are getting all of the optionality of the Alzheimer's products for free.

THERMO FISHER SCIENTIFIC UP +16%

Thermo Fisher (TMO) is a scientific super store selling instruments, laboratory equipment, diagnostic

consumables and life science reagents. Investors have bid up the stock as the synergistic and strategic initiatives associated with the acquisition of Patheon have started to impact earnings. In addition, clinical trials of pharma products are on the upswing which is a secular tailwind for TMO. Its strategy is to continue to grow through value adding acquisitions which allow for distribution synergies and extension of the range of medical technology products offered. The breadth of its offering allows for one stop shopping for its customers and is one of its key competitive advantages.

MERCK & CO. UP +16%

Merck, a huge mainline pharmaceutical company, had several positive developments over the quarter particularly in its key lung cancer drug Keytruda. Keytruda has gained market leadership in 'non-small cell' lung cancer which is a large and under treated cancer indication. This alone could drive significant earnings per share growth for Merck for several years. As well, Merck has a significant pipeline in other therapies and is past a recent spate of its older drugs becoming "genericized". However, since the stock has been quite strong for the last two quarters, we have trimmed our position.

Worst performers during the quarter²

GALAXY ENTERTAINMENT DOWN -19%

Galaxy Entertainment reported inline earnings in the quarter but the shares sold off due to the trade clash between the United States and China. The political posturing led to concerns about Chinese economic growth and fears about revenue development at Galaxy. We remain optimistic that the strong infrastructure development and policies from both the Chinese and Macau governments should benefit Galaxy's casino properties. This, in conjunction with the upcoming Galaxy Macau phase 3 and 4 expansion, will provide better top and bottom line growth for the company. We took advantage of the lower share price during the quarter to increase our weight in the portfolio.

RYANAIR DOWN -17%

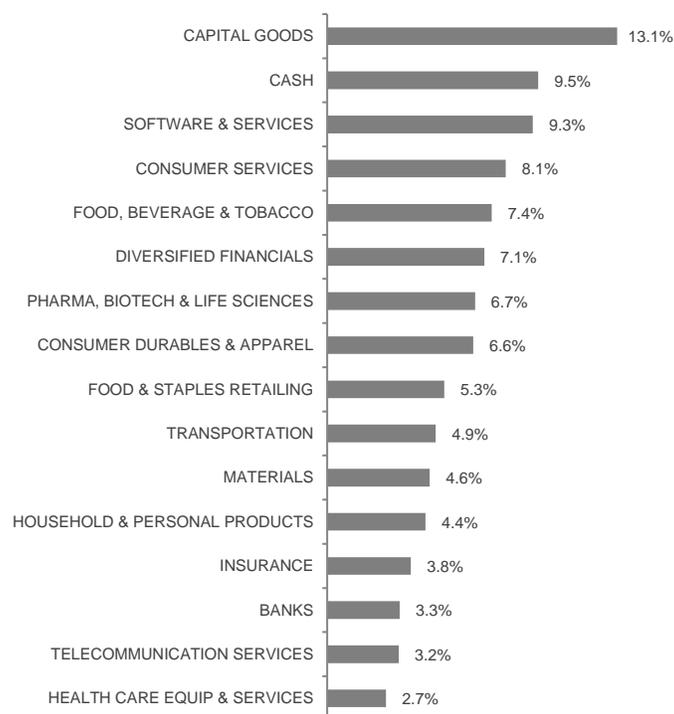
Ongoing labour issues caused further business disruption for Ryanair (RYA) which pressured the stock during the quarter. The company was forced to cancel about 5% of its flights over the summer as cabin crews and pilots walked off the job in hopes of

bettering their negotiating position. This has caused passenger growth to slow to 5% on an annual basis versus 10% growth last year. The dispute has dragged on longer than expected but the company is making some gains and signed tentative deals with unions in two countries. Resolving the labour dispute will increase costs but RYA will remain the low cost carrier which is the primary source of its competitive advantage. Longer term, the company and share price will benefit from RYA moving more people with the goal of reaching 200 million passengers by 2024 compared to 120 million in 2017.

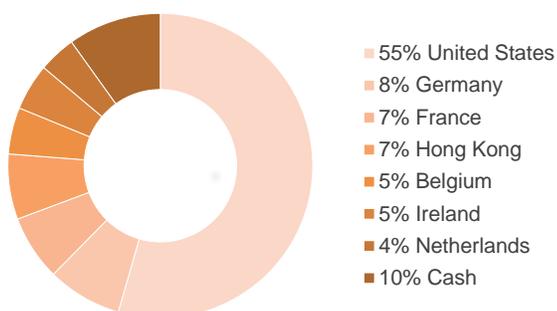
ANHEUSER-BUSCH DOWN -15%

The global brewer, Anheuser-Busch (BUD), has been hurt by depreciating currencies in some of its key markets including Brazil. This has led to some concern about a potential dividend cut as the company's free cash flow has been constrained. Happily, 93% of BUD's debt is fixed rate and therefore not impacted by rising yields. As well, improvement in end markets could quickly bring free cash flow back to levels which would allow for significant deleveraging. All in all, we remain optimistic about BUD's prospects going forward and increased our position over the quarter.

Global Equity Pool Industry Split (Sep 30/2018)



Global Equity Pool Geographic Split (Sep 30/2018)



Buys & Sells

During the quarter, we added to several positions including Anta Sports Products Ltd., Galaxy Entertainment Group, ING Groep NV ADR, WABCO Holdings Inc., Heidelberg Cement AG and Anheuser-Busch Inbev NV ADR.

We reduced our positions in LVMH Moet Hennessy Louis Vuitton SE ADR, Emerson Electric Co., Merck & Co. Inc., Colgate Palmolive Co., Mondelez International Inc., Starbucks Corp., Visa Inc., Biogen Inc., Walgreens Boots Alliance Inc., Thermo Fisher Scientific Inc., JPMorgan Chase & Co. and Alphabet Inc. One position was eliminated during the quarter: Zimmer Biomet Holdings Inc.

As a result of these transactions, the cash position rose to 9.5% from 1.8% at the end of the prior quarter.

Global Equity Pool Dynamics (Sep 30/2018)

Measure	Global Pool	MSCI World
Fwd 12M P/E	15.5x	16.0x
Dividend Yield	1.9%	2.3%
Number of Names	25	1,640
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 indexes 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

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 Global 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.