Galibier Capital Management Ltd.

Quarterly Investment Review

Q4 2014

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Results

Happy New Year!

We had a busy Fall here at Galibier. We bought some new names and exited a few as well. We gained RRSP and TFSA eligibility for our two existing pooled funds and we launched the Galibier Opportunities Fund (a concentrated long/short equity product).

Both the Canadian and U.S. pools now contain 30 names (within our working range of 20-30 stocks per portfolio). All of the 60 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 4th quarter of 2014 provided sharply mixed returns in the overall Canadian and U.S. markets. U.S. returns in C$ were strongly positive due to a sharp decline in the Canada/U.S. exchange rate over the quarter. The Canadian market generated performance of -1.5% (S&P/TSX) in Q4 while the U.S. market generated +8.8% (S&P500 C$). In Canada, the best performing sectors were Consumer Staples and Healthcare while the worst performing were Materials and Energy. In the U.S., the market was led higher by the Utilities and Consumer Discretionary sectors, offset by the worst performing sectors of Telecom Services and, of course, Energy.

For the year ended December 31/2014, performance in the overall Canadian market was +10.6% and +23.9% in the U.S. market (in C$).

Summary of Results

Period ending: Dec 31, 2014	3 Months (%)	1 Year (%)	2 Year (%)	Since Inception (%)
Galibier Canadian Equity Pool	**1.5**	**16.0**	**23.0**	**20.3**
S&P/TSX Composite (total return)	-1.5	10.6	11.8	11.1
Galibier U.S. Equity Pool	**5.5**	**12.3**	**26.4**	**22.9**
S&P500 (CAD, total return)	8.8	23.9	32.3	28.3

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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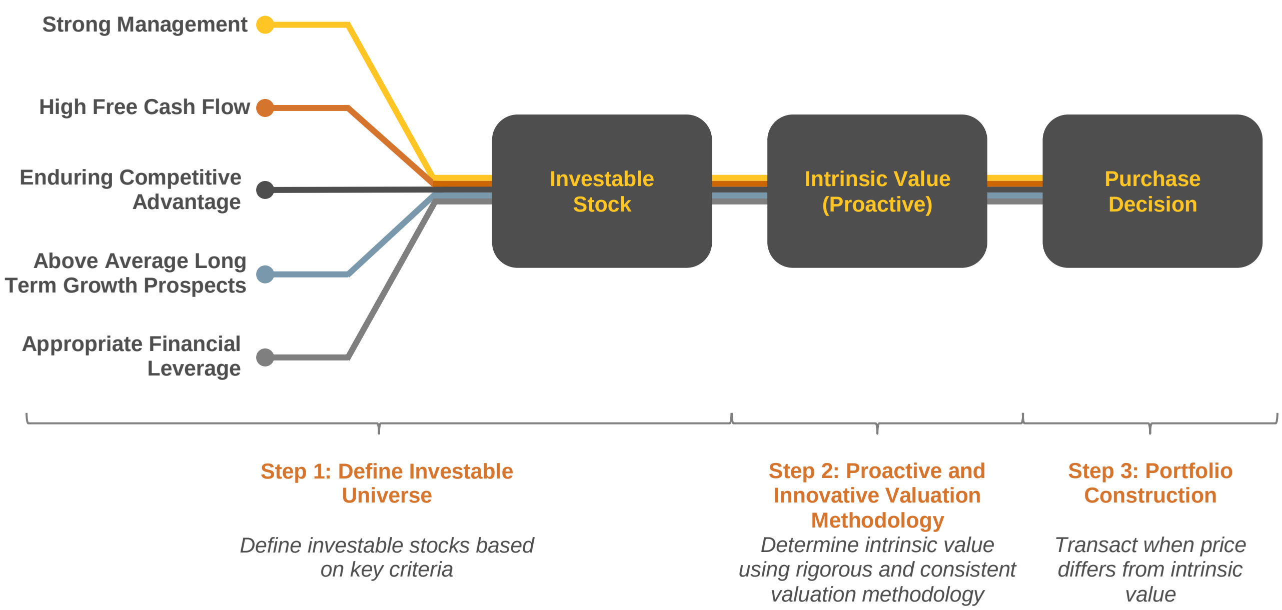
Galibier Capital Management Ltd.

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 negative performance over the fourth quarter with a total return of -1.5%. We are pleased to report that the Galibier Canadian Equity Pool's investment results were positive +1.5%. Even more pleasing is that over the longer term Galibier's investment results have been very strong on both an absolute and a relative basis. For the 1-year period ending December 31/2014, Galibier's Canadian Equity Pool returned +16.0% versus the S&P/TSX +10.6%. On a two year basis Galibier's annualized numbers are +23.0% vs. the S&PTSX at +11.8%.

Canadian Equity Pool Top Holdings (Dec 31/2014)	Weight (%)
1. Bank of Nova Scotia	7.5
2. Intact Financial	6.9
3. CGI Group Inc	4.5
4. MacDonald Dettwiler & Associates	4.4
5. AutoCanada Inc.	4.0
6. MTY Food Group Inc.	3.9
7. Evertz Technologies	3.8
8. Air Canada	3.7
9. WSP Global Inc.	3.6
10. Cenovus Energy Inc.	3.5
Total	**45.8**

Best performers[2]

Air Canada up +38.6%

Air Canada continued to achieve record load factors during the quarter. Its strategy to lower its cost structure with a significant fleet renewal also bodes well for continued strong financial performance going forward. Finally, the collapse in energy prices obviously is beneficial to the variable cost structure of airlines and is materially beneficial to Air Canada's future earnings power.

Cargo Jet up +30.0%

Cargojet continued to perform well in the quarter. They reported a second quarter of improved pricing trends with their 3rd quarter results and commented that they expected it to continue into the 4th quarter. The ramp up for the new Purolator contract is largely complete so we expect to see benefits from the new, larger, more efficient fleet in coming quarters. We continue to be excited about the long term opportunities available to Cargojet through expanded ancillary services and their relationship with Air Canada.

Cogeco Cable +25.9%

Shares of Cogeco Cable continued to perform well in the quarter as the valuation discount narrows. The company has executed on its well defined plan to integrate recent acquisitions, reduce debt and manage free cash flow in the competitive Canadian market place. Further share price appreciation should be more in line with the company's double digit earnings and free cash flow growth.

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Worst Performers[2]

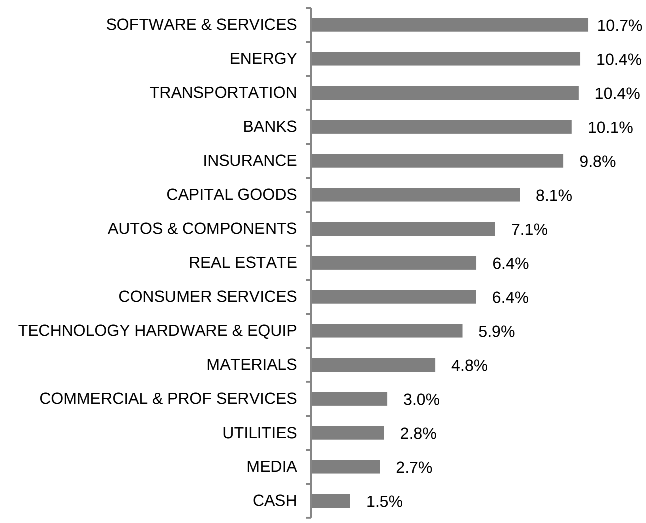
Paramount Resources down -56.2%

The collapse in energy prices as a result of OPEC's actions coupled with slowing demand has hit the oil and gas sector hard. Fortunately the fund had sold down its position in Paramount to a relatively small weight which limited the impact of the share price decline on overall investment results.

McCoy Global down -21.6%

McCoy Global is a manufacturer of equipment used in oil field activities such as well drilling. Due to the late 4th quarter sharp pull back in oil prices, investors became very concerned about the impact of the decline on drilling activity and the ultimate impact on demand for McCoy's products. The company is well financed and can maintain its healthy dividend for some time so we are inclined to hold McCoy and await some recovery in drilling volumes as energy prices eventually improve.

Canadian Equity Pool Industry Split (Dec 31/2014)



Buys & Sells

During Q4 2014, two new positions were added to the Canadian pool namely AutoCanada and Journey Energy. One existing name was removed from the portfolio: Valeant. In addition, over the quarter we purchased and, after a sharp run-up in its share price, subsequently sold a small position in Avigilon.

Auto Canada

This consolidator of auto dealerships across Canada has a long period of strong growth ahead of it. AutoCanada is the largest publicly traded automotive dealership group in Canada, currently owning 48 franchised dealerships. Its strategy is to consolidate the fragmented auto dealership market at favorable economics. They have strong relationships with the auto manufacturers, and their success in operating dealerships makes them a buyer of choice. The company benefits from the network effect in sharing marketing, parts, inventory and service capacity across their dealerships. The share price has recently sold off due to the decline in energy prices, creating an attractive entry point.

Journey Energy

This high dividend paying & low risk exploration company has significant fairway ahead given its large resource base. The company has the ability to weather relatively low energy prices and fund its capital expenditures as well as maintain a healthy dividend. The investment thesis at Journey does, however, require that oil prices rebound from current levels. We believe that this will happen over time as the current low oil price will lead to reduced production which will shift the supply demand balance towards excess demand and ultimately drive prices higher.

Names added to in the quarter include BSM, Dream Global, Loyalist, MartinRea, Northland Power and Paramount Resources.

With these purchases of both new and existing names, the cash position of the pool increased slightly to 1.5% which is in line with the 1.1% cash level at the end of the 3rd quarter.

Canadian Equity Pool Dynamics (Dec 31/2014)

Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	17.5x	13.9x
Dividend Yield	2.7%	2.9%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier U.S. Equity Pool

The S&P500's performance in the quarter was +8.8% in Canadian dollar terms. Galibier's investment results were +5.5% for the quarter. For the year ended September 30/2014, the market was up 23.9% (S&P500 C$) while Galibier's investment result was +12.3%. On a two year basis the US market returned +32.3% and Galibier's return was +26.4%.

US Equity Pool Top Holdings (Dec 31/2014)	
	Weight (%)
1. Ross Stores, Inc.	5.2
2. Express Scripts Holding Co	4.8
3. Google Inc.	4.6
4. Priceline Group Inc.	4.5
5. VISA Inc.	4.4
6. Cummins Inc.	4.4
7. AIG	4.2
8. Iconix Brand Group	4.0
9. Verizon Communications Inc.	4.0
10. National Oilwell Varco, Inc.	3.9
Total	**44.0**

Best performers[2]

Ross Stores up +29.5%

Ross Stores had strong returns in the quarter after reporting better than expected earnings and same store sales results. They continue to drive value for their customers which allowed an expansion in merchandise margins. The company continues to actively buy back shares as an incremental return of cash to shareholders. Ross still has considerable opportunity for new store openings in the United States and we like the positioning of the "off price" apparel space going forward.

Visa up +27.4%

The world's largest retail electronic payments network reported stellar financial results during the quarter. The company continues to manage expenses and exploit the remarkable operating leverage inherent in its business model. But even more impressive is the growth rate in Visa's large international business. Because of this growth, international business now accounts for about 60% of Visa's volume. We continue to see very solid prospects for Visa into the future.

Express Scripts up +24.2%

This company benefits significantly from the network effect and from leveraging its buyer power as the world's largest pharmacy benefits manager (25% market share). In the quarter, the company chose to flex its buying power muscle by removing a very high priced drug from its approved formulary and replacing it with a newly approved cheaper alternative from another drug company. The market is likely anticipating further cost reducing moves on the part of Express Scripts that will lead to better earnings power in the future.

Worst Performers[2]

Sanofi down -16.1%

Sanofi had elements of a perfect storm over the quarter. One of its competitors has been discounting diabetes drugs which are a key part of Sanofi's drug portfolio. As well, the company reported disappointing Q3 results and also removed its CEO after the Board of Directors lost confidence in him. We are watching the situation closely at Sanofi (in particular we are awaiting the announcement of a new CEO).

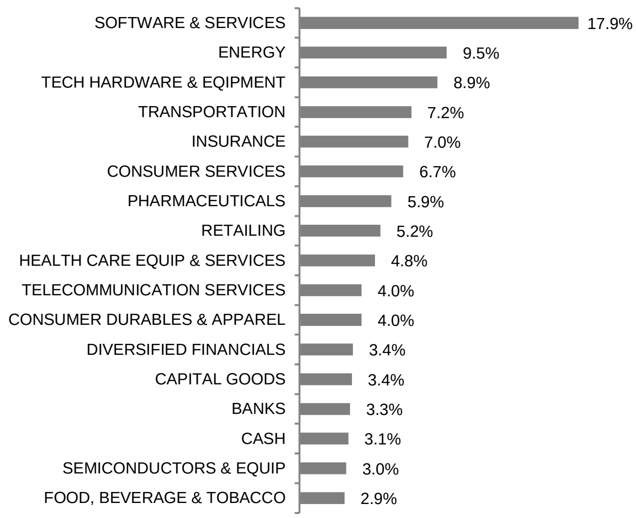
Ultratech down -15.5%

Ultratech was again negatively impacted as orders for its laser annealing tool disappointed. Technical challenges in introducing a new architecture for semiconductors have caused a delay in ramping up production for Ultratech's customers. While the timing is disappointing the company has ample resources to endure this set back. The superior performance of the next generation architecture and Ultratech's tool should lead to substantial growth for Ultratech in the future.

IBM down -11.9%

The share price of IBM was negatively impacted in the quarter as results disappointed and the company decided to back away from its long standing earnings per share target of $20 by 2015. Ultimately, this should lead to better capital allocation decisions by the company as it navigates through the latest technology transition and a recovery in the share price.

US Equity Pool Industry Split (Dec 31/2014)



Buys & Sells

Over the course of the 4th quarter, the U.S. Equity Pool added two new positions, Gilead Life Sciences and Las Vegas Sands. It exited positons in Cisco Systems and Oracle. The Fund also added to its exposure in Cummins, Emerson Electric, Google, Iconix, National Oilwell Varco, Priceline, Sanofi, Trimble and Ultra Tech.

Gilead Sciences

Gilead is a developer of pharmacological treatments for viral diseases such as HIV, Hepatitis, Leukemia and Lymphoma. We took advantage of weakness in the company's share price to establish a position during the quarter. This weakness was due to investor concern when Express Scripts removed Gilead's Hep C treatments from its formulary over cost. We don't think that all the other pharmacy benefit management companies will follow Express Script's strategy and that the market for Hep C treatment is so large that there remains significant room for a number of players to succeed in the market. In addition to its core franchises, Gilead has a very deep pipeline that has the potential to drive earnings growth for years to come. The stock is attractively priced at around a 10x current P/E.

Las Vegas Sands

Las Vegas Sands is a developer of integrated resorts in the US, Macau, China and Singapore. These resorts which feature gambling and shopping are unique destinations. The company's share price has recently sold off due to concerns about regulatory changes in Macau that may slow activity from super wealthy gamblers. This is less a problem for Las Vegas Sands as its key customer base is the more mass market premium gambling segment. We therefore took advantage of the share price weakness to establish a position. In addition to its existing uniquely positioned resorts, the company is opening two more mega resorts in the 2015-2016 period, the St. Regis and The Parisian, which will be significantly additive to earnings. We purchased the stock at a P/E of 13-14x future earnings and locked in a dividend yield of approximately 3.7% per year.

The cash position of the U.S. Pool at Dec 31/2014 is at 3.1% versus the 6.4% as of Sept 30/2014.

U.S. Equity Pool Dynamics (Dec 31/2014)

Measure	U.S. Pool	S&P500
FY1 P/E	15.4x	14.8x
Dividend Yield	1.6%	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 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 and with the Autorité des Marchés Financiers in Quebec as a Portfolio Manager and Investment Fund 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 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 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.