Galibier Capital Management Ltd.

Quarterly Investment Review

Q2 2020

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"And if you don't give up and don't give in, you might just be ok"

-Mike and the Mechanics - The Living Years

In our last quarterly report we characterized the COVID-19 pandemic as a 'uniquely difficult time'. Over the second quarter, the malaise continued - particularly in the United States which was further impacted by coincident social upheaval. As we write this, COVID-19 cases in the U.S. are on the upswing to record levels in a number of states. The situation in Canada appears to have stabilized, however, a second wave remains a very real possibility in economies globally and the first wave continues in a number of global hot spots. In the absence of a vaccine or a highly effective therapeutic, we expect economic activity to remain sluggish at best in the near term.

In terms of the capital markets, both the Canadian market and the Global markets showed a strong recovery from the deep selloff of the first quarter. The S&P/TSX Composite Total Return Index was up 17% in the second quarter, while the MSCI World Index was up 14%.

Positive performance was skewed toward technology, materials and consumer discretionary sectors in both markets. The Canadian market in particular was impacted by one stock, Shopify, which alone constituted 3.9% out of the positive 17% performance of the TSX.

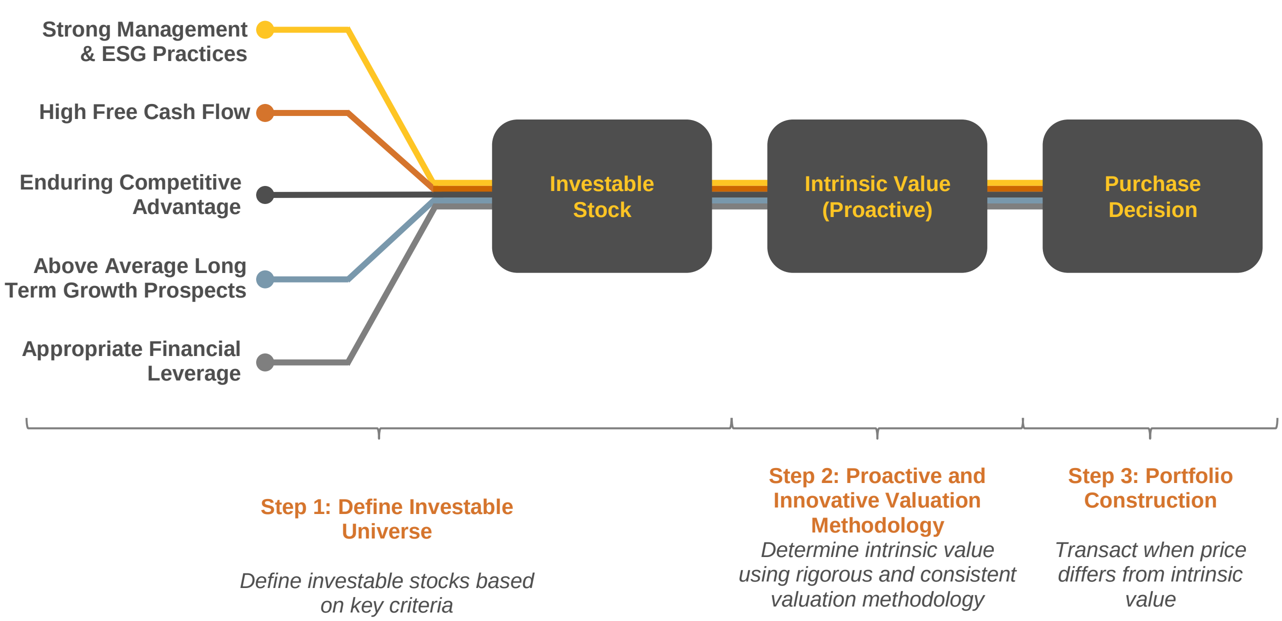
At Galibier it is, as ever, business as usual. Investment management is considered an essential service by the provincial authorities and our office has had staff in daily. Working from home has been seamless for other team members and productivity has remained strong. Over the second quarter our relentless measurement of investment opportunities against our investment criteria and our determination of intrinsic value has yielded a number of portfolio changes which will be reported on further in this report. Happily, our client base has grown significantly with three new institutional clients joining the Galibier family over the quarter.

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… i.e. to be sanguine when others are discouraged and to be cautious when others are exuberant….

Galibier Canadian Equity Pool Summary of Results

Period ending: June 30/2020	Since Sep27/12 (%)	7 Year (%)	6 Year (%)	5 Year (%)	4 Year (%)	3 Year (%)	2 Year (%)	1 Year (%)	Year-to-date (%)	Quarter-to-date (%)
Galibier Canadian Equity Pool	**8.3**	**8.0**	**3.0**	**3.8**	**5.0**	**1.6**	**-3.2**	**-9.8**	**-16.0**	**19.8**
S&P/TSX Composite (total return)	6.2	6.8	3.5	4.5	5.6	3.9	0.8	-2.2	-7.5	17.0

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.*
viii. *Performance presentation consistent with recommendations from FCLTGlobal "Institutional Investment Mandates: Anchors for Long-term Performance" www.fcltglobal.org*

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 Q2 2020, the Galibier Canadian Equity Pool generated a return of +19.8%. Since inception on September 27, 2012, the Canadian Pool's annualized return has been +8.3% per year which was ahead of the +6.2% annual return of the index. At the end of the quarter, the active share[3] of the portfolio was 81%.

Canadian Equity Pool Top Holdings (June 30/2020)

		Weight (%)
1.	Northland Power Inc.	5.8
2.	Cargojet Inc.	5.1
3.	Manulife Financial Corp.	4.9
4.	Spin Master Corp.	4.4
5.	CCL Industries Inc.	4.4
6.	Parkland Corp.	4.3
7.	Canadian Imperial Bank of Commerce	4.3
8.	WSP Global Inc.	4.3
9.	Ag Growth International Inc.	4.2
10.	Rogers Communication Inc.	4.1
Total		**45.8**

Best performers during the quarter[2]

Spin Master up +81%

Shares of Spin Master (TOY) experienced strong returns in the second quarter after a series of challenges had affected the company over the past several quarters. Demand for stay at home toys and games have benefitted Spin Master, which is strong in the board games market. Management has indicated that significant progress has been made in rectifying the distribution issues that have been dragging down TOY's profitability and that the company should return to historical margins in 2021. The company has a clean balance sheet which gives it the chance to act on any acquisition opportunities that may present themselves as a result of the pandemic disruption.

West Fraser Timber up +79%

With production split between Canada (55%) and the U.S. South (45%), West Fraser is among the world's largest lumber producers with annual capacity of 7.1 billion foot board measure (FBM) of lumber as well as structural panels and pulp/paper. The company benefited from a sharp +53% increase in lumber prices over the 2nd quarter due to the industry dramatically curtailing supply. Going forward, the extremely low interest rate environment is favourable for housing starts should economic growth begin to come back. With its low production cost position and ability to adjust production levels, West Fraser looks well positioned to weather the current economic uncertainty associated with COVID-19.

AG GROWTH INTERNATIONAL UP +61%

Shares of Ag Growth (AFN) had strong performance in the second quarter, rebounding along with the market following the first quarter sell off. Management was able to confirm that all of its facilities are now up and running after closures in select markets in accordance with local regulations. The company announced a cut to its dividend as well as increased flexibility to its debt covenants, which helped to relieve concerns over leverage. Early indications suggest that crops are off to a good start in North America, an improvement over the flooding in early 2019. We expect that the food industry's experience during the pandemic, which put strain on the food supply chain, could prompt additional spending on food infrastructure to increase redundancy, which would be a benefit to AFN in the future.

CARGOJET UP +58%

Cargojet shares performed well in the quarter, highlighting its essential role in supporting the supply chain in Canada. As a result of the pandemic, we have seen adoption of online shopping accelerate dramatically, which has driven increased utilization of the Cargojet network. Many brick and mortar stores were forced to shift business online during mandated closures, which along with Amazon and other online retailers, has driven demand for the exact logistics that Cargojet offers. Cargojet has also been able to shift its network to free up capacity for some international cargo flights as well, which has been beneficial to company profitability.

Worst performers during the quarter[2]

NUTRIEN DOWN -8%

Further weakness in the price of Nutrien's key commodity, Potash, caused the company to lower near term expectations which pressured the shares of the company during the quarter. While this short term development is disappointing, the company remains highly profitable as it has one of the lowest cost positions in the industry. Despite this, Nutrien continues to generate significant excess cash flow which it can use to consolidate the retail agricultural industry, pay dividends to shareholders (5.7% yield) and support share buybacks. Subsequent to quarter end the price of potash has improved as planting conditions in North America remain favourable and China, a large importer of potash, has signed a new contract with suppliers including Campotex, Nutrien's distribution partner.

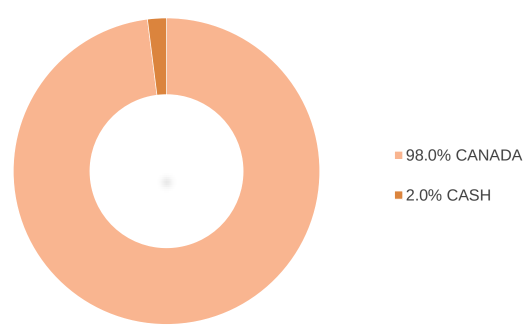
ROGERS COMMUNICATIONS DOWN -6%

Shares of Rogers Communications were pressured during the quarter as the fallout from COVID-19 impacted the company in several ways. First, as owner of the Toronto Blue Jays and partial owner (37.5%) of Maple Leaf Sports & Entertainment, the suspension of professional sports is pressuring near term revenue and profits. Additionally, the temporary closure of the company's retail outlets will slow near term wireless subscriber growth. With the stock trading at less than 15x earnings, the short term concerns are more than priced in. Longer term, the company will benefit from subscriber growth, increased data usage in its wireless business and from the roll-out of 5G which allows it to offer additional services and generate incremental revenue.

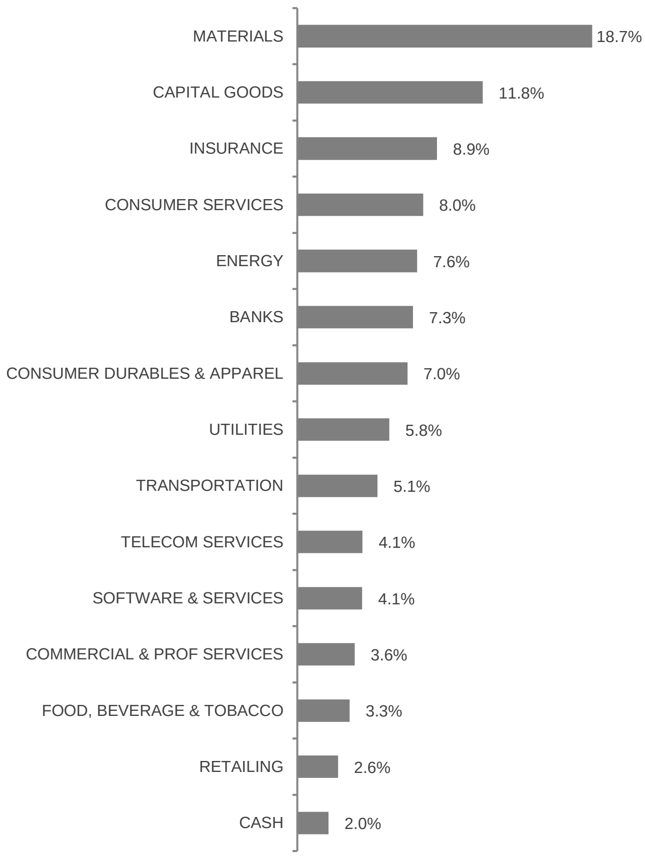
BANK OF NOVA SCOTIA DOWN -1%

Not unexpectedly, Scotiabank, and the Canadian banking industry in general, lagged the overall market this quarter. Net interest margins have been hurt as short rates have been forced down by policy makers, and loan origination and credit quality have been negatively impacted from the suspended animation of the economy. Scotia in particular was further impacted by its exposure to Latin America. At its current quote, it is attractively valued and pays a solid dividend yield as well as offering exposure to the recovery in the Canadian and Latin American markets.

Canadian Equity Pool Geographic Split (June 30/2020)



Canadian Equity Pool Industry Split (June 30/2020)



Buys & Sells

During the quarter, we added three new positions to the portfolio: Canadian Tire, Kirkland Lake Gold and Restaurant Brands International.

In addition, we added to numerous positions including Waste Connections, Rogers Communications, Spin Master, NFI Group and West Fraser Timber.

Excluding flow driven trades, we reduced our positions in numerous names including Cargojet, Intertape Polymer Group, Premium Brands Holdings, CCL Industries, Parkland and Ag Growth International. We eliminated three positions: Alcanna, Canadian Natural Resources and Dollarama.

As a result of these transactions, the cash position decreased to 2.0% from 2.5% at the end of the prior quarter.

New Buys:

CANADIAN TIRE CORP.

We have a long history with Canadian Tire (CTC) at previous firms but have never owned CTC at Galibier. While COVID-19 impacted both the stock price and valuation, we believe that 2020 would be the year of the Canadian Tire banner. Discretionary spending is shifting to the home in the form of home gyms, improved lawn care, barbecues, 'boredom busters' and other do-it-yourself projects. The evidence comes from an estimated 20% same-store-sales growth at CTC outside of Ontario in April, double digit growth at competitors such as Tractor Supply Co. and Scott's Miracle-Gro and Home Depot/Lowe's hitting all-time highs. With the mandated closures, bricks and mortar retail is difficult but longer term Canadian Tire is uniquely positioned with its strong dealer network, 40% of sales coming from its own brand and 55% of sales going through Triangle, its loyalty program. These elements should support profitability and relevance for years to come.

KIRKLAND LAKE GOLD LTD.

The purchase of Kirkland Lake gold was driven by two factors: (1) the monetary policy being pursued by policy makers in response to COVID-19 is effectively increasing the world's money supply which portends well for gold's price prospects, and (2) our analysis of the gold sector suggests that a number of names were very attractive on free cash flow and net asset value measures. Our choice of Kirkland in particular was due to its current below average cost position, its 17+ years reserve life and is operations being in low political risk jurisdictions: Canada and Australia.

RESTAURANT BRANDS INTERNATIONAL INC.

Restaurant Brands International (QSR) is a highly free cash flow generative and capital light franchise business model. QSR has three successful banners, Tim Hortons, Burger King, and Popeye's for a global total network count of 27,100 locations. As a franchisor, QSR collects royalties on franchisees' revenues without any exposure to the inherent operating leverage that is typically associated with operating a restaurant. We believe that well recognized restaurant brands are going to disproportionally benefit from the pandemic-led recession versus other types of restaurants as consumers started to seek value-priced yet COVID-19 safe options when ordering food away from home. This trend is reinforced further for QSR given that over two thirds of its locations across all banners operate a drive-thru. During the quarter we took a position in QSR as the market was pricing in what we thought were overly bearish estimates for future sales and the stock traded below our view of intrinsic value.

Canadian Equity Pool Dynamics (June 30/2020)		
Measure	**Canadian Pool**	S&P/TSX Comp
Fwd 12M P/E	22.5x	20.7x
Dividend Yield	3.1%	3.4%
Number of Names	25	222
Active Share[3]	81%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Global Equity Pool Summary of Results

Period ending: June 30/2020	Since May12/17 (%)	3 year (%)	2 year (%)	1 year (%)	Year-to-date (%)	Quarter-to-date (%)
Galibier Global Equity Pool	**6.0**	**7.0**	**5.6**	**1.9**	**-8.8**	**11.3**
MSCI World (CAD, total return)	6.7	8.4	6.4	7.2	-1.0	14.2

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.*
vii. *Performance presentation consistent with recommendations from FCLTGlobal "Institutional Investment Mandates: Anchors for Long-term Performance" www.fcltglobal.org*

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

In Q2 2020, the Galibier Global Equity Pool generated a return of +11.3%. Since inception on May 12, 2017, the Global Pool's annualized return has been +6.0% per year. At the end of the quarter, the active share[3] of the portfolio was 93%.

Global Equity Pool Top Holdings (June 30/2020)

		Weight (%)
1.	AstraZeneca PLC ADR	5.3
2.	Alphabet Inc.	4.8
3.	Schneider Electric SE	4.7
4.	AbbVie Inc.	4.4
5.	Oshkosh Corp.	4.4
6.	Cisco Systems Inc.	4.3
7.	Emerson Electric Co.	4.3
8.	Medtronic PLC	4.2
9.	Thermo Fisher Scientific Inc.	4.0
10.	Berkshire Hathaway Inc.	4.0
Total		**44.4**

Best performers during the quarter[2]

ING Group up +28%

European banks as a group were quite weak in the first quarter as a number of European economies were on the front lines of the COVID-19 spread worldwide. European monetary and banking regulators acted aggressively to safeguard the banking system which included declaring a suspension of dividends until the fourth quarter of 2020. This development, as well as net interest margin narrowing and the impact of economic slowdown on loan origination, sharply impacted bank valuations downward. However, in the second quarter Europe began to climb out of the economic slowdown which gave hope to bank investors and the stock rallied.

Schneider Electric up +27%

Shares of Schneider Electric rebounded in the quarter and recouped all of the COVID-19 induced decline in the first quarter. As a leader in industrial automation (25% of revenue), energy efficiency and sustainability (75%) Schneider is well positioned to help clients transform their businesses to generate improved productivity and efficiency. The energy segment is also benefiting from exposure to web giants like Alphabet, Facebook and Amazon as Schneider supplies products to help power their data centres which they continue to build out to support their own growth. The company's competitive advantage comes from its customers' high switching cost after implementing Schneider's products, which are integrated into clients' production facilities.

EMERSON ELECTRIC UP +26%

Of all the quality multi-industrials listed in the U.S., Emerson stands out as the one with the most exposure to the energy sector. Hence, given the current hurdles to the energy industry, in addition to the new reality of a global macro-economic slowdown from the pandemic, it is no surprise that the shares started the quarter at a depressed valuation level, a healthy dividend yield of 4% and trading significantly below our estimate of intrinsic value. Despite the cyclicality of its business, close to two thirds of its revenues are from maintenance and repair activities which include process industries such as its downstream energy exposure. Given the high wear and tear and harsh environments that those products operate in, these revenue streams are more stable over the medium term and therefore cushion the cyclical and project driven nature of Emerson's remaining portion of revenues. Finally, Emerson's announcement last February of a $450 million cost restructuring program remains in full swing and unaffected by the ongoing COVID-19 crisis and remains a key positive to the business that will offset the new headwinds from a global economic slowdown.

ABBVIE UP +25%

In the quarter, AbbVie reported strong earnings and, very importantly, new pharmaceutical product launches (Skyrizi and Rinvoq) performed well and are on the way to be market leaders in their indications. Subsequent to the release of its earnings report, the company closed the Allergan acquisition which was a catalyst for most of the sell side to upgrade or raise price targets based on our original thesis that AbbVie can grow through its Humira patent cliff without new acquisitions. AbbVie remains one of the most inexpensive pharma companies with a single digit price-to-earnings multiple which we believe is undervalued versus its growth, strong free cash flow and dividend yield. We used the strength this quarter to trim our position after adding at the end of March.

Worst performers during the quarter[2]

BERKSHIRE HATHAWAY DOWN -7%

Our purchase of Berkshire Hathaway (BRK) preceded the annual meeting where Mr. Buffett and Vice Chairman Greg Abel presented a sobering view on the near term impact of COVID-19 and its impact on Berkshire. Investors were mildly disappointed by the lack of investment activity as many were expecting Buffett to deploy the enormous cash hoard the company had amassed at the end of the year.

Recently, Berkshire announced a sizeable acquisition of Dominion Energy's gas transmission assets indicating that Buffett may be getting his investment mojo back. We are very comfortable to let Buffett and his team assist us in capital deployment, especially with the company's stock trading at a discount to our calculation of intrinsic value.

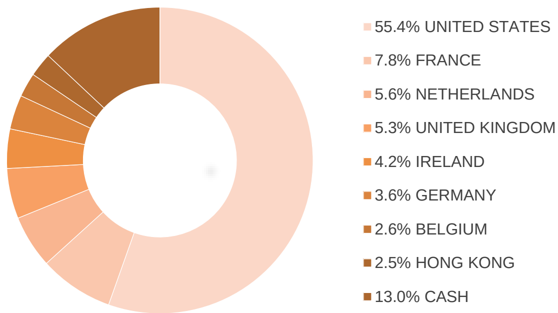
ROSS STORES DOWN -7%

Shares of Ross Stores declined in the quarter as the spread of COVID-19 expanded rapidly across the Sunbelt states in late June. Ross is headquartered in California where they have more than 400 stores. California, Texas, Florida and Arizona combine to account for more than half of the 1,800 Ross locations. This store concentration has had a negative impact on the traffic at Ross stores, which will translate into lower sales compared to peers in the short term. While we are not certain how the pandemic will play out over the next few quarters, we believe that the off-price market is well positioned within retail over the long-term to provide customers with great value in both apparel and home goods.

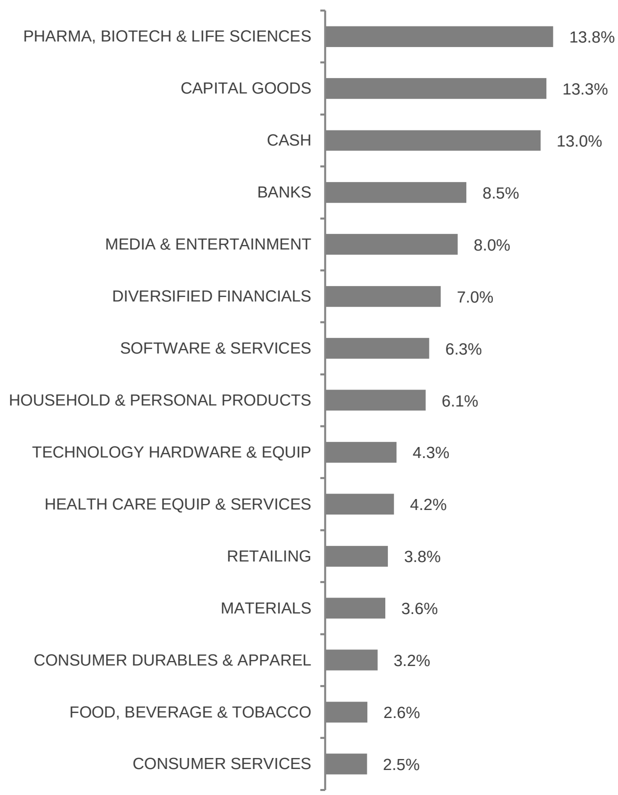
MEDTRONIC DOWN -2%

Throughout the quarter, expectations for medical device companies shifted from a V shaped recovery to a W shaped recovery. Many states (southern ones in particular) had resumed elective surgeries and in some cases were over 100% capacity in their operating rooms (i.e. surgeries in evenings and weekends) as they caught up with the backlog. Many have pulled back on this as COVID-19 hospital admissions continue to rise. Medtronic has compounded its earnings impact as it is not pulling back on costs and notably are paying sales reps for lost sales which will hurt its near term valuation multiples. On the other side of COVID-19, Medtronic should see accelerated growth rates as they consolidate the market organically and through acquisitions which gives us confidence in the long term fundamentals of the company.

Global Equity Pool Geographic Split (June 30/2020)



Global Equity Pool Industry Split (June 30/2020)



Buys & Sells

During the quarter, we added three new names to the portfolio: Berkshire Hathaway, Cisco Systems and Ross Stores.

In addition, we added to numerous positions including Medtronic, Oshkosh and AstraZeneca.

We reduced our positions in numerous names including Galaxy Entertainment, Visa, Truist Financial, Alphabet, Voya, AbbVie and Walt Disney among others. We exited four positions: Booking Holdings, Koninklijke Philips, Ryanair Holdings and Schlumberger Ltd.

As a result of these transactions, the cash position increased to 13.0% from 11.7% at the end of the prior quarter.

New Buys:

Berkshire Hathaway Inc.

Berkshire Hathaway is a conglomerate with four main reporting divisions: insurance, freight rail transportation, utilities and a collection of manufacturing, retail and service businesses. Because of its size and because of the cash generative nature of its operations in both insurance and investments the company has built up an enormous float value of around $130B. Management has always said that the true “free float” is this amount less $20B in prudent reserves against insurance liabilities. If this free float were to be invested at better than assumed rates - then intrinsic value would be buttressed higher. In determining intrinsic value of Berkshire as a holding company, a number of approaches including discounted cash flow, sum of the parts and historical price to book value measures suggest intrinsic value in the $210-$215 range. Supporting this is Buffett’s own comment that he would look to buy back stock if Buffett and Munger “believe that the repurchase price is below Berkshire’s intrinsic value, conservatively determined." In 2019, the average price of those buybacks were between $204 and $220 per share in line with Galibier’s estimate of intrinsic value. Buffett is getting older but new blood is in place with the addition of Ted Wexler and Todd Coombs on the investment side. As well the company has always only invested in companies with highly capable managements which means that Buffett’s eventual exit will have less impact.

Cisco Systems Inc.

Cisco is one of the largest designers and manufactures of IP based networking equipment (routers, switches, servers and software) to power the communication and information technology industry. The company provides products and services for analyzing and transporting data, voice and video within buildings, across enterprise campuses and around the globe. Overall, demand for Cisco's products will benefit from increased data traffic, the build out of data centres, the evolution to 5G and a greater need for security to protect networks. With

$2.50+ of net cash on its balance sheet the company is well positioned to navigate short term disruption brought on by COVID-19 and will continue to invest in innovation to strengthen its competitive advantage. Cisco is advantaged by being the incumbent provider to many of the global networks as clients would incur significant switching costs by going with another provider. This advantage is demonstrated by its significant market share (35% in routers, 45% in switching) and high return on invested capital (high teens). The market sell-off earlier in the year pushed the company's shares below Galibier's view of intrinsic value and the company was added to the global portfolio.

Ross Stores Inc.

Ross Stores is one of the leading off-price retailers in the United States. Its network of more than 1,800 stores offers shoppers fantastic bargains on brand name apparel and home goods. Ross has a very sophisticated team of buyers who are a true competitive advantage, working to keep the treasure hunt element of the shopping experience by sourcing goods from thousands of manufacturers and other retailers. There is significant room for the continued expansion of its brands, Ross Dress for Less and dd's discounts, with a long-term store goal of 3,000. The closures within its store network due to COVID-19 has created margin compression as they clear out stale inventory, but we believe these disruptions have created an attractive buyers' market for inventory going forward, which Ross will greatly benefit from long term.

Global Equity Pool Dynamics (June 30/2020)

Measure	**Global Pool**	MSCI World
Fwd 12M P/E	20.8x	22.3x
Dividend Yield	1.7%	2.3%
Number of Names	24	1,603
Active Share[3]	93%	-

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

Galibier Capital Management Ltd. ("Galibier") is registered with the Ontario Securities Commission as a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer, 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, with the Alberta Securities Commission as a Portfolio Manager, with the Financial Services Regulation Division Department of Service NL in Newfoundland & Labrador as a Portfolio Manager and Investment Fund Manager, and with the Financial and Consumer Affairs Authority of Saskatchewan 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.