Galibier Capital Management Ltd.

Quarterly Investment Review

Q1 2021

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"When logic and proportion
Have fallen sloppy dead,
And the White Knight is talking backwards
And the Red Queen's 'off with her head!'
Remember what the dormouse said:
Feed your head"

White Rabbit - Jefferson Airplane

In our last quarterly report, we talked about the surprising performance of stock markets in these uncertain times. We suggested that 5 factors have accounted for this performance including: TINA, FOMO, low rates, monetary and fiscal stimulus and vaccine rollouts that are fueling recovery hopes. During Q1 2021, the S&P/TSX Composite Index had another strong return of +8.1% while global stocks returned +3.1% in C$ terms as measured by the MSCI World Index. Given these continued strong returns, we feel it necessary to add two new factors to our analysis:

<u>The continued rise of passive or index linked products</u>: So much money has flowed into investment funds that are linked to an index [like the S&P 500] or a sub-index [like the Nasdaq 100] that these funds now have huge market impact. Historically, it is active managers who have acted as buyers and sellers in an auction market which have set the price of securities. Active managers were the price makers and index linked products were historically price takers.

The goal of the index fund manager is to reproduce the member weights of the targeted index within the managed product NOT to set the price of the stocks. However, in the past few years the amount of money flowing into passive linked products has become so large that the price setting element of active players has been eroded. In many cases now, the price of a stock is set by the daily supply and demand in the individual security rather than the fundamentals of the underlying businesses. Index players are focused on the weight of individual securities in the index and are price indifferent.

<u>The "gamification of investing":</u> Simultaneously, trade enabling technology such as that offered by Robinhood etc. has given rise to a new breed of investors who trade frequently and with more regard to past and expected price moves rather than intrinsic value. The resultant volatility has created a casino like mentality among such investors. This phenomenon has been super charged by historically low interest rates. This day trader mentality is focused on trying to anticipate price moves, not on determining intrinsic value.

It is our belief that these 7 factors are creating disconnects between stock market prices and intrinsic values. Galibier is an active investor that runs concentrated portfolios. As detailed on the next page, our only focus is on determining intrinsic value and then waiting for the market to give us opportunities to buy shares when the price falls below intrinsic value. This is all we do and all we will ever do.

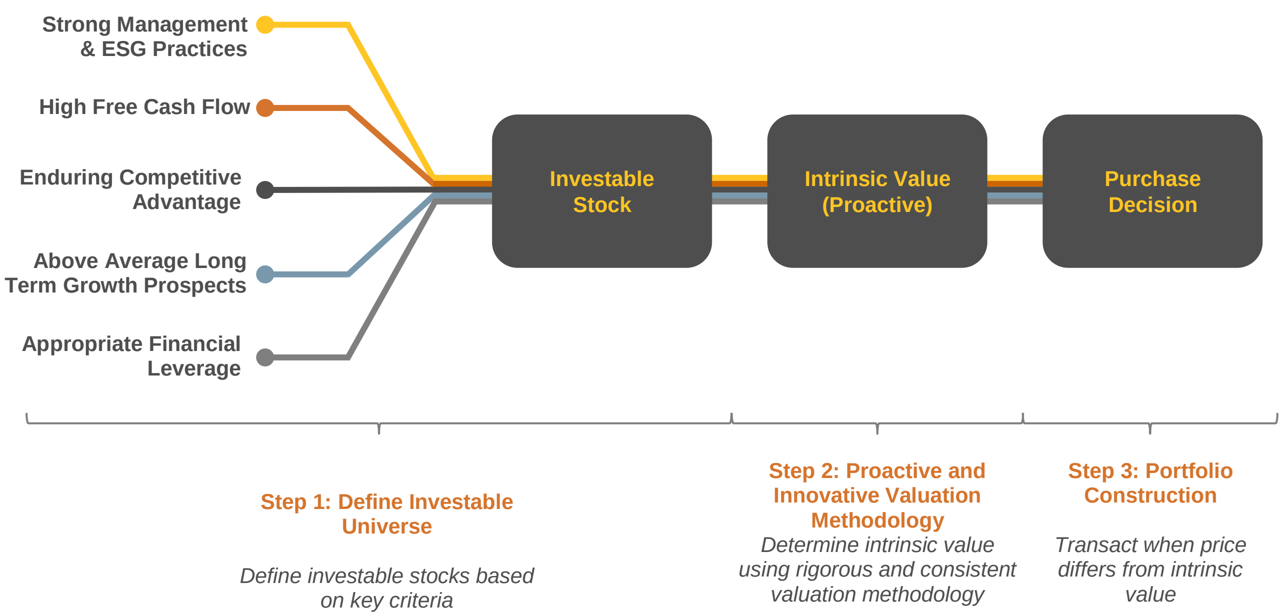
We would like to thank all of our clients and supporters for helping Galibier achieve $2 billion of assets under management. Thank you.

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: Mar 31/2021	Since Sep27/12 (%)	8 Year (%)	7 Year (%)	6 Year (%)	5 Year (%)	4 Year (%)	3 Year (%)	2 Year (%)	1 Year (%)	Year-to-date (%)
Galibier Canadian Equity Pool	**11.6**	**11.4**	**8.8**	**8.4**	**11.6**	**9.9**	**9.9**	**14.5**	**63.8**	**7.9**
S&P/TSX Composite (total return)	8.2	8.1	7.1	7.1	10.1	8.0	10.2	11.2	44.2	8.1

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 Q1 2021, the Galibier Canadian Equity Pool generated a return of +7.9%. Since inception on September 27, 2012, the Canadian Pool's annualized return has been +11.6% per year which was ahead of the +8.2% 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 (Mar 31/2021)

		Weight (%)
1.	Manulife Financial Corp.	5.6
2.	Northland Power Inc.	5.4
3.	CCL Industries Inc.	5.3
4.	Nutrien Ltd.	4.7
5.	Canadian Imperial Bank of Commerce	4.6
6.	Park Lawn Corp.	4.6
7.	Empire Company Ltd.	4.5
8.	Restaurant Brands International Inc.	4.4
9.	Ag Growth International Inc.	4.4
10.	NFI Group Inc.	4.2
Total		**47.7**

Best performers during the quarter[2]

Ag Growth up +49%

Shares of Ag Growth International benefitted during the quarter from both an improved agricultural outlook as well as rising backlogs across the company. Agricultural commodity prices are extraordinarily strong, which puts more money in farmer's pockets, driving demand for equipment across the farm. Along with reporting its fourth quarter results, Ag Growth said backlogs were at record levels across the globe. This follows on two years of uncertainty related to trade wars, tariffs and then COVID-19, so spending that was delayed and deferred is now translating into orders for 2021. SureTrack, the technology platform that Ag Growth has been building out over the past few years, is gaining scale and starting to attract attention from investors.

Spin Master up +21%

Spin Master continues to benefit from parents' spending dollars to keep their children happy and occupied during the battle against COVID-19. The fourth quarter financial results were strong, including digital revenues reported which were a positive surprise, highlighting the strength of the Toca Boca and Sago Mini platforms. Margins in 2019 and 2020 were depressed after some operational issues with its distribution centers. Heading into 2021 with those issues resolved, Spin Master provided guidance to get back to more historical margin levels, in the mid-to-high teens, which was well above investor expectations.

Manulife up +20%

Manulife (MFC) is a truly global insurer with earnings split across the U.S., Asia and Canada, with Asia offering solid growth into the future. A series of solid quarterly results and potential for sustained return on equity improvement due to cost cutting, underpins the strong stock price performance. Trading at a half market P/E and yielding over 4%, MFC remains a core holding.

CCL Industries up +21%

CCL Industries reported stronger than expected results for its fourth quarter. The free cash flow generated by the business exceeded guidance and the company is now able to do sizable acquisitions once travel restrictions are lifted. Its portfolio of businesses, especially in the core label segment, have proven to be resilient throughout the pandemic, offsetting some of the Avery and Checkpoint revenues that have suffered from retail closures and event cancellations. The diversified nature of CCL's customer base has been a driving factor of its consistent results throughout the pandemic.

Worst performers during the quarter[2]

Cargojet down -24%

After a year of strong share price performance in 2020, Cargojet shares were weaker during the first quarter. In February, the company announced a capacity expansion, including the purchase and conversion of five 767 aircraft and two 777 aircraft. This incremental capacity will be used in the domestic market to support growing demand and replace spare aircraft. On the international side, Cargojet will use the 777's to build out international routes, expanding outside of the domestic market where they are protected by cabotage. Cargojet is making this move to benefit from the ongoing shortage of belly cargo capacity, resulting in significant growth opportunities over the next few years.

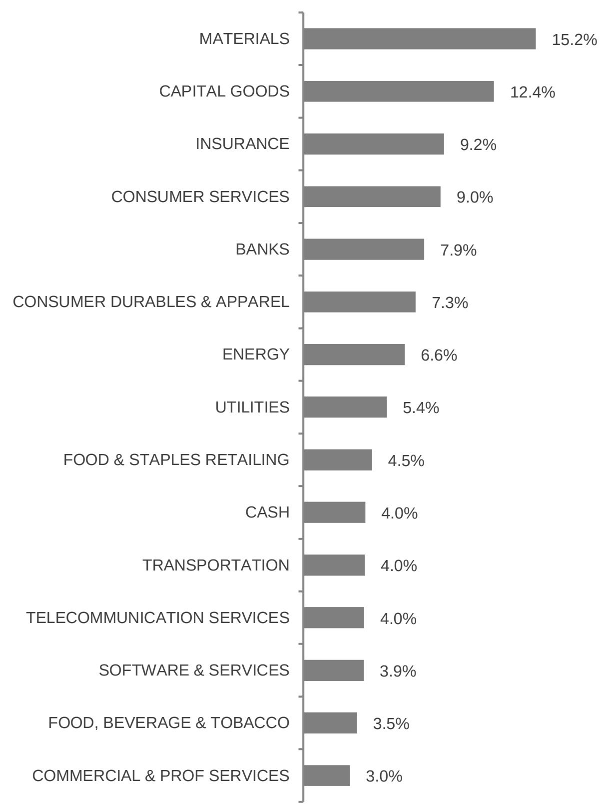
Kirkland Lake Gold down -19%

Gold producers' stock prices are very much tied to the price of the underlying commodity. Gold prices have been volatile in the last two years, rising from the mid $1500's in January 2020 to just over $2,000/oz in late July 2020 and then has drifted lower ending the quarter at just over $1700/oz (USD). Gold's attraction as a store of value for investors is a function of inflationary expectations, interest rates and investor sentiment. We expect all of these factors to keep gold prices relatively strong in the medium term. As well, Kirkland Lake is attractively valued - trading well below its Net Asset Value using a price of $1800/oz and pays a solid dividend of 2.2% while offering capital gain potential.

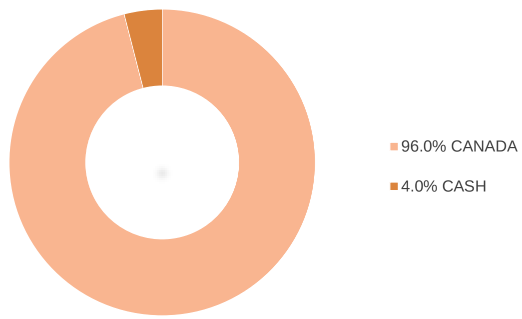
Parkland down -6%

Parkland (PKI) shares were down slightly in the quarter. PKI's operating results came in below expectations on weaker profitability at its Burnaby refinery. The retail operations of the company continue to perform well, as customers look to the convenience stores as smaller shopping formats to grab essentials, even though gasoline volumes are down. Its retail loyalty app, Journie, also continues to grow its user base faster than expectations, driving customer visits despite fewer kilometers being driven.

Canadian Equity Pool Industry Split (Mar 31/2021)



Canadian Equity Pool Geographic Split (Mar 31/2021)



Buys & Sells

During the quarter, we added to our positions in Empire, Kirkland Lake Gold, Cargojet and Restaurant Brands International.

We reduced our positions in numerous positions including Spin Master, Ag Growth, West Fraser, Nutrien and Northland Power among others. One name was eliminated: Intertape Polymer Group.

As a result of these transactions, the cash position increased slightly to 4.0% from 3.8% at the end of the prior quarter.

Canadian Equity Pool Dynamics (Mar 31/2021)

Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	19.9x	16.7x
Dividend Yield	2.2%	2.8%
Number of Names	24	231
Active Share[3]	81%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Global Equity Pool Summary of Results

Period ending: Mar 31/2021	Since May12/17 (%)	3 year (%)	2 year (%)	1 year (%)	Year-to-date (%)
Galibier Global Equity Pool	**10.5**	**11.4**	**13.1**	**36.3**	**6.6**
MSCI World (CAD, total return)	10.2	11.9	14.0	36.0	3.5

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 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 Q1 2021, the Galibier Global Equity Pool generated a return of +6.6%. Since inception on May 12, 2017, the Global Pool's annualized return has been +10.5% per year. At the end of the quarter, the active share[3] of the portfolio was 94%.

Global Equity Pool Top Holdings (Mar 31/2021)

		Weight (%)
1.	Heidelberg Cement AG	5.1
2.	Berkshire Hathaway Inc.	4.7
3.	Alphabet Inc.	4.4
4.	Medtronic PLC	4.4
5.	Cisco Systems Inc.	4.3
6.	Schneider Electric SE	4.3
7.	Oshkosh Corp.	4.2
8.	Intel Corp.	4.0
9.	Anheuser-Busch InBev ADR	4.0
10.	Emerson Electric Co.	4.0
Total		**43.4**

Best performers during the quarter[2]

OSHKOSH UP +37%

The delightful and niche focused Oshkosh provided strong quarterly results and capped off a solid year. As well, it won some high profile contracts over the quarter which had a favourable impact on order backlog in a number of segments including a ten year multi-billion dollar contract with the U.S. Postal Service for a next generation delivery vehicle. Across the product segments, the fire and emergency vehicles business has a solid backlog, the defense business is performing well and the access equipment business will show healthy growth later in the year as the U.S. continues to reopen. Oshkosh's cement mixer business is also benefitting from construction and infrastructure demand. The company's large positive net-net working capital position allows it to make accretive acquisitions as was the case with the purchase of Pratt Miller (robotics/connected systems) in the quarter.

ING GROEP UP +29%

ING benefitted from a number of favourable developments over the quarter. In addition to interest rates increasing somewhat - which is beneficial to net interest margins, ING had solid earnings in the fourth quarter. In particular, loan loss provisioning was much less than expected. As well, ING has earned significant surplus capital even after Basel IV requirements which will have ING operating with a Tier 1 ratio of 12.5% in the future. Given this surplus capital and in-line with European Central Bank restrictions, ING has re-instated a dividend based on 2021 earnings and even more happily is able to pay a catch-up return of capital based on both 2019 and 2020 earnings.

INTEL UP +28%

After establishing a position late in 2020, Intel has had a busy three months. They named a new CEO, confirmed its strategy to improve its manufacturing capability is progressing well and are evaluating the potential to manufacture products for 3rd party companies. The new CEO, Pat Gelsinger, is returning to Intel after being away for several years, to run VMWare, and his engineering background brings increased credibility to the company's turnaround. In the near term, demand for its products is better than expected. With in-house manufacturing, Intel is less impacted by recent shortages in semiconductor manufacturing capacity that are impacting others in the industry. All of this impacted the shares positively during the quarter.

TRUIST FINANCIAL UP +21%

The coming together of BB&T and SunTrust to form Truist has created a synergistic merger of two mighty franchises. BB&T was a regional bank with a strong community banking franchise while Suntrust has technology leadership and a strong investment banking franchise. The complementary nature of the two will lead to solid cost and revenue synergies. Management has indicated that the combined entity post integration has the potential to be a top tier bank both on an efficiency ratio (cost productivity) and on return on tangible equity. Trading at ~2X tangible equity with mid-teens return potential suggests that the bank is approaching full valuation.

Worst performers during the quarter[2]

ANHEUSER-BUSCH DOWN -12%

Anheuser-Busch (ABI) had decent results in 2020 as the brewer benefitted from increased at-home consumption as well as consumers' desire for comfort and familiarity that mainstream beer brands can provide during difficult times. In addition, the company was highly successful in adapting to the rapidly growing shift towards online ordering and they are now a top three market share leader in the fast growing U.S. seltzer market. That being said, the shares underperformed during the quarter after reporting 2020 fourth quarter results in February as the outlook for operating margins in 2021 was below that of sell-side analysts' expectations given a lower than anticipated recovery of the "on-trade" channel (i.e. restaurants) for the year ahead. We see this situation as temporary and have conviction that ABI's operating margins will normalize to its full potential within a reasonable time frame as the on-trade channel eventually reopens. Hence, we believe shares of ABI to be attractively valued at this point and we added to our position during the quarter.

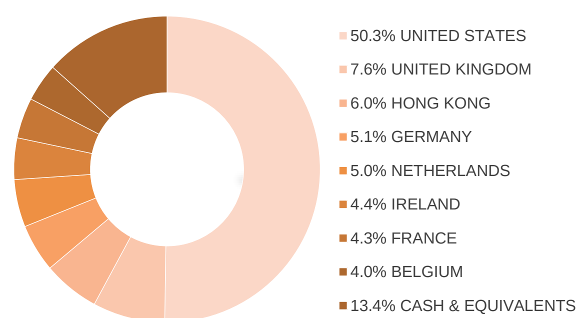
COLGATE-PALMOLIVE DOWN -9%

Colgate reported one of its best quarters ever with 8.5% organic growth including 7% for the year. Despite the strong results having a positive contribution from COVID-19, management guided for 2021 to be within the long-term range of 3-5% growth. In the quarter, there was nothing fundamental driving the share price. In Q4 we felt that Colgate's valuation was getting ahead of itself and, as a result, we used this as an opportunity to reduce our position. The company remains a best-in-class consumer packaged goods company with a more reasonable valuation to match its strong growth.

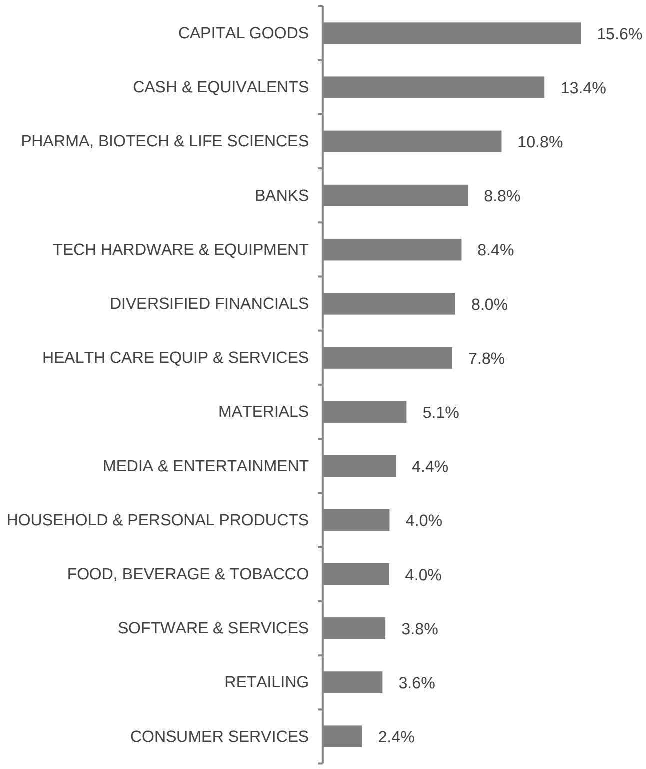
UNILEVER DOWN -8%

Unilever has been in the wrong categories during COVID-19 and has seen slight headwinds whereas other consumer packaged goods companies have seen tailwinds. Management gave vague guidance for 2021 which allows it to invest more in the business to further drive market share gains and accelerate the top line. In the short term we believe Unilever will rebound quickly from its COVID-19 headwinds resulting in better growth than market expectations. For the longer term, we continue to like Unilever as 60% of its revenue comes from emerging markets and growth in these markets will continue to be higher than that of the developed world.

Global Equity Pool Geographic Split (Mar 31/2021)



Global Equity Pool Industry Split (Mar 31/2021)



Buys & Sells

During the quarter, we added to our positions in Anheuser-Busch and Alibaba Group.

We reduced our positions in numerous names including Oshkosh, Intel, Alphabet, Raytheon and Galaxy Entertainment among others.

As a result of these transactions, the cash and equivalents position decreased slightly to 13.4% from 13.5% at the end of the prior quarter.

Global Equity Pool Dynamics (Mar 31/2021)

Measure	Global Pool	MSCI World
Fwd 12M P/E	18.5x	21.2x
Dividend Yield	1.6%	1.7%
Number of Names	24	1,586
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.*