Galibier Capital Management Ltd.

Quarterly Investment Review

Q4 2021

Joseph Sirdevan, CFA
Graham Anderson, CPA, CFA
Scott Connell, CFA
Lauree Wheatley, CFA
Andrew Wallman, CFA
Kelvin Wong, CFA
Jonathan Ruel, CFA
Colin Pearson, CFA
Investors

"…Just that you do the right thing – the rest doesn't matter"

Marcus Aurelius

Equity markets generated strong quarterly investment results again in the fourth quarter of 2021. Canada, as measured by the S&P/TSX Composite index, was up a solid 6.5% trailing the MSCI World Index return of 7.5%. For yet another quarter interest rates, as measured by the U.S. 10-year yield, remained at unprecedented low levels ending the year at a 1.51% yield. As we have spoken about in the past, these low interest rates have led to high valuations in almost all asset classes including stocks, bonds, real estate and commodities.

Inflation continues to run quite hot, with the most recent measure of the Consumer Price Index (CPI) coming in at ~7% which is a four-decade high. In response, The Federal Reserve, The Bank of Canada, The Bank of England and The European Central Bank have all moved to begin to tighten monetary policy. However, the rise of the highly contagious Omicron variant midway through the quarter has led to selective lockdowns and a slowdown in demand. As a result, Central Banks may be forced to delay their hawkish responses. In addition, if Omicron negatively impacts supply chains, supply will be potentially constrained as productivity falls.

On balance Galibier expects inflation to remain high and thus we anticipate some tightening of monetary policy during 2022 through both an increase in interest rates and a reduction in bond buying and quantitative easing that impacts the middle and long end of the yield curve.

At Galibier, although we are mindful of economic policies impacting macro factors, we always concentrate much more heavily on the micro-economics of the businesses we invest in.

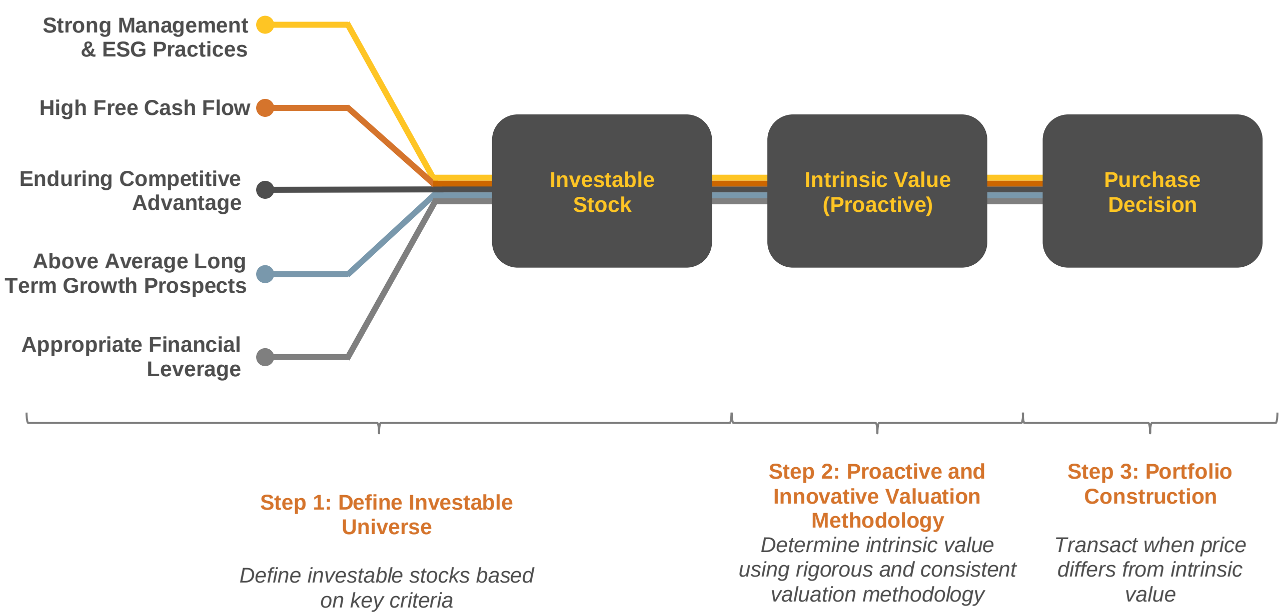
To reduce investment risk, we carefully select businesses and remain highly mindful of price paid. We carefully define an investable universe of companies with sustainable competitive advantages, honest and capable management teams (including effective ESG policies), above average growth prospects, high free cash flow generation and appropriate financial leverage. We then diligently analyze the business to determine future earnings power, balance sheet structure, utilize conservative valuation ratios and a relatively high discount rate (12-15%) to determine our estimate of intrinsic value.

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: Dec31/2021	Since Inception (%)	9 Year (%)	8 Year (%)	7 Year (%)	6 Year (%)	5 Year (%)	4 Year (%)	3 Year (%)	2 Year (%)	1 Year (%)
Galibier Canadian Equity Pool	**11.8**	**12.1**	**10.0**	**9.2**	**12.3**	**10.6**	**9.9**	**17.7**	**12.7**	**19.3**
S&P/TSX Composite (total return)	9.3	9.4	8.9	8.7	11.8	10.0	10.3	17.5	14.9	25.1

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 Q4 2021, the Galibier Canadian Equity Pool generated a return of 4.8%. Since inception on September 27, 2012, the Canadian Pool's annualized return has been +11.8% per year which was ahead of the +9.3% annual return of the index. At the end of the quarter, the active share[3] of the portfolio was 79%.

Canadian Equity Pool Top Holdings (Dec31/2021)

		Weight (%)
1.	Park Lawn Corp.	5.5
2.	Canadian Imperial Bank of Commerce	5.0
3.	Nutrien Ltd.	4.9
4.	Kirkland Lake Gold Ltd.	4.8
5.	WSP Global Inc.	4.8
6.	CCL Industries Inc.	4.7
7.	Manulife Financial Corp.	4.5
8.	Spin Master Corp.	4.5
9.	Canadian Pacific Railway Ltd.	4.4
10.	Northland Power Inc.	4.1
Total		**47.2**

Best performers during the quarter[2]

Cenovus Energy up +22%

The heavy oil producer, Cenovus (CVE), is starting to reap the benefits of the clever strategic acquisition of Husky Energy it made in March of 2021. Its netbacks are now much improved and at current oil prices of $70+ WTI our estimate of Net Asset Value of CVE is >$20 per share. The company has huge and well-defined reserves with no finding and developing costs which means that its significant cash flow can go towards debt paydown and ultimately share buy backs and dividends.

WSP Global up +21%

WSP shares benefited from stronger than expected organic growth during the third quarter and the positive industry backdrop. The focus by corporations and governments to reduce the environmental impact of their operations is leading to new business for WSP as they evaluate and help clients implement these strategies. The company will provide additional details around the impact as well as longer term targets when it issues its latest 3-year plan during the first quarter of 2022. Additionally, as the engineering industry remains fragmented, the company and its shareholders will continue to benefit from potential acquisitions.

Bank of Nova Scotia up +17%

Financial institutions such as banks and insurance companies all rallied as investors anticipated higher interest rates which impact net interest margins. The

Bank of Nova Scotia was no exception, but it was also recovering from an oversold position versus the other Canadian banks, perhaps related to its Latin America exposure.

SPIN MASTER UP +17%

Spin Master shares performed well during the quarter, a reflection of the continued demand for toys and its execution through challenging supply chain conditions heading into the holiday season. There was concern in the third quarter that supply chain delays could mean Spin Master was not able to stock its customer's shelves for the all-important holiday shopping season. However, channel checks and company commentary indicated that they were better prepared for these conditions than expected. Momentum continued for the company after the successful third quarter launch of Paw Patrol: The Movie, which saw box office results above expectations and drove related toy sales into the holiday season.

Worst performers during the quarter[2]

CARGOJET DOWN -18%

Shares of Cargojet declined in the fourth quarter. While demand remains strong for its services, including e-commerce shopping and new routes signed for ACMI (aircraft, crew, maintenance, and insurance), shares underperformed the market as investors looked for more exposure to reopening names. We believe that Cargojet will continue to benefit both from its fleet growth, and from customer demand for consistent, cargo dedicated capacity which will lead to continued opportunities for additional ACMI routes for new aircraft.

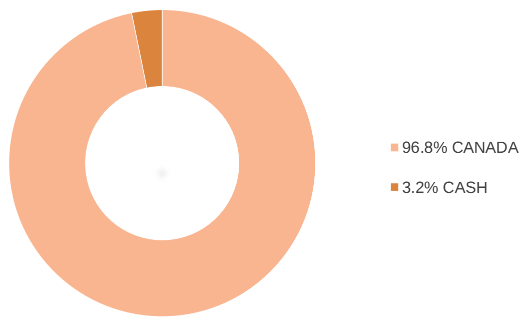
NFI GROUP DOWN -14%

Shares of NFI Group were weak during the quarter because of continued supply chain issues impacting its operations and its decision to shore up the balance sheet with an equity raise. We believe that the decision to raise equity did not come lightly, however, with ongoing uncertainty around the timing of supply chain delays being resolved, paying down debt and restructuring covenants puts the company in position to weather the remainder of the storm. We believe that NFI remains well positioned for the transition to electric vehicles in the bus market, which is a target of infrastructure spending for many governments around the globe.

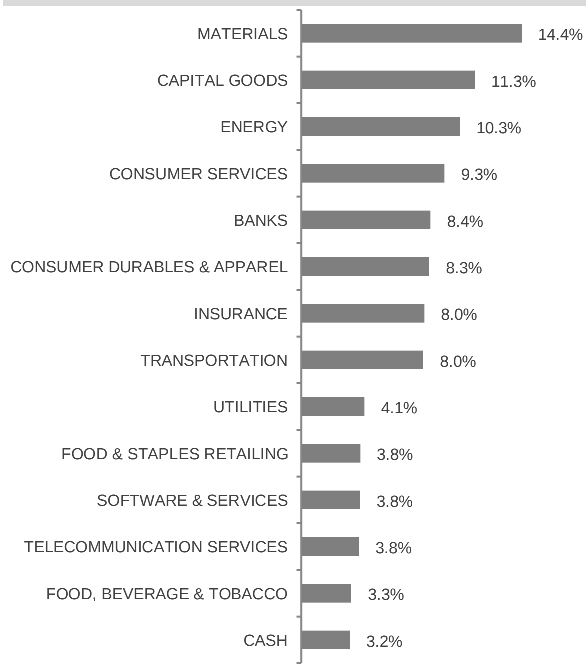
NORTHLAND POWER DOWN -4%

Shares of Northland Power were down modestly during the quarter. The company has been impacted throughout 2021 with lower-than-average wind resources in the North Sea, which has resulted in disappointing financial performance this year. We believe that offshore wind power companies will continue to be a significant beneficiary of both government and corporate carbon reduction initiatives and that Northland Power is amongst a handful of companies in the world with the skillset to develop offshore projects at scale. The pipeline of development projects will continue to drive positive step function changes in EBITDA for the rest of this decade.

Canadian Equity Pool Geographic Split (Dec31/2021)



Canadian Equity Pool Industry Split (Dec31/2021)



Buys & Sells

During the quarter, we added one new name to the portfolio: Canadian Pacific Railway. In addition, we added to our positions in Enbridge, Restaurant Brands International and Kirkland Lake Gold.

We reduced our positions in numerous names including Cenovus Energy, Gildan Activewear, WSP Global, Nutrien and Park Lawn. One name was eliminated from the portfolio: Waste Connections Inc.

As a result of these transactions, the cash position increased to 3.2% compared to 2.1% at the end of the prior quarter.

Canadian Equity Pool Dynamics (Dec31/2021)

Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	17.2x	15.2x
Dividend Yield	2.3%	2.6%
Number of Names	24	241
Active Share[3]	79%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

New Buys:

CANADIAN PACIFIC RAILWAY LTD.

Railroads are spatial monopolies and offer investors competitive advantages in the form of network effects. As well, railroads have the potential to be much more environmentally friendly than trucking. Canadian Pacific (CP), under the stewardship of Keith Creel, has emerged as a superior North American Class 1 railroad. In 2021, CP's competitive position was massively buttressed by its purchase of the Kansas City Southern which puts CP in the unique position of having operations in Canada, the U.S. and Mexico. The revenue synergies of this North American positioning are potentially quite significant and should provide strong earnings and cash flow growth for years to come.

Galibier Global Equity Pool Summary of Results

Period ending: Dec31/2021	Since May12/17 (%)	4 year (%)	3 year (%)	2 year (%)	1 year (%)
Galibier Global Equity Pool	**10.1**	**10.9**	**14.5**	**8.8**	**13.0**
MSCI World (CAD, total return)	12.1	13.5	18.6	17.3	20.8

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 Q4 2021, the Galibier Global Equity Pool generated a return of 3.9%. Since inception on May 12, 2017, the Global Pool's annualized return has been +10.1% per year. At the end of the quarter, the active share[3] of the portfolio was 96%.

Global Equity Pool Top Holdings (Dec31/2021)

		Weight (%)
1.	Alphabet Inc.	5.5
2.	Cognizant Tech Solutions Corp.	5.0
3.	GlaxoSmithKline PLC ADR	4.7
4.	AstraZeneca PLC ADR	4.7
5.	Wabtec Corp.	4.5
6.	Cisco Systems Inc.	4.3
7.	Berkshire Hathaway Inc.	4.2
8.	Intel Corp.	4.1
9.	Schneider Electric SE	4.0
10.	General Motors Company	4.0
Total		**45.0**

Best performers during the quarter[2]

COGNIZANT TECHNOLOGY UP +20%

Cognizant shares performed well during the quarter as demand for the company's services is high as its customers transition their own business processes to be more automated, efficient and digital. This is leading to significant growth in bookings which is a leading indicator for revenue growth. Additionally, during the latest quarter the company demonstrated its pricing power as gross margin was flat relative to the same quarter in 2020, even with elevated costs for employees. To support future growth, the company was able to increase its employee base by 5.7% in three months in a very competitive market.

SCHNEIDER ELECTRIC UP +17%

Shares of Schneider Electric reacted positively to the company's capital markets day. The company's message focused on longer term targets and how profitability will continue to increase as it moves to more recurring revenue tied to software products. Management also highlighted how this will increase annual revenue growth to between 5-8% going forward. Quarterly results also demonstrated the company's pricing power and how its scale is a competitive advantage during the current supply chain disruption which is impacting many industrial companies. With the stock increasing slightly above intrinsic value it was trimmed during the quarter.

CISCO SYSTEMS UP +17%

During the quarter, Cisco demonstrated it can continue to grow its revenue and profits even with the current supply chain disruptions. The company expects to increase revenue by at least 4.5% in the current quarter. It is also transitioning its revenue base to be more recurring in nature as it now represents 42% of total revenue and is growing 10% annually. This should lower volatility and help sustain the company's already high profit margin. This all bodes well for future company performance and a higher share price.

GlaxoSmithKline up +16%

In the third quarter, GlaxoSmithKline (GSK) outlined a five-year plan where revenue would grow by 5% and EBIT would grow by 10% after it spins off its consumer health business in 2022, which in our view is one of the highest quality consumer businesses. GSK consumer is in an industry with high regulations, low competition and strong pricing power. Third quarter results were strong in the consumer health business as gross margins expanded and suggested they could exceed the 10% EBIT growth over the next five years. As we approach the consumer spin off, we believe the market will use a sum of the parts valuation which should be much more favourable than the typical P/E approach.

Worst performers during the quarter[2]

Medtronic down -17%

We own Medtronic (MDT) with the thesis that it will improve its organic growth profile as it rolls out its pipeline of new products and focuses on market share gains across its business. In the quarter, MDT had two setbacks: its renal denervation trial (a non-invasive procedure on the kidneys to treat hypertension) is taking longer than expected and it received a warning letter from the FDA in its diabetes segment which could restrict the launch of a new insulin pump. Although neither of these are overly material to fiscal 2023 earnings it will slow organic growth which has frustrated investors and caused the valuation multiple to compress. Although fiscal 2023 will see these headwinds to growth, organic growth should still accelerate to around 6%. Medtronic is attractively valued at 18x this year's earnings which remain depressed from COVID.

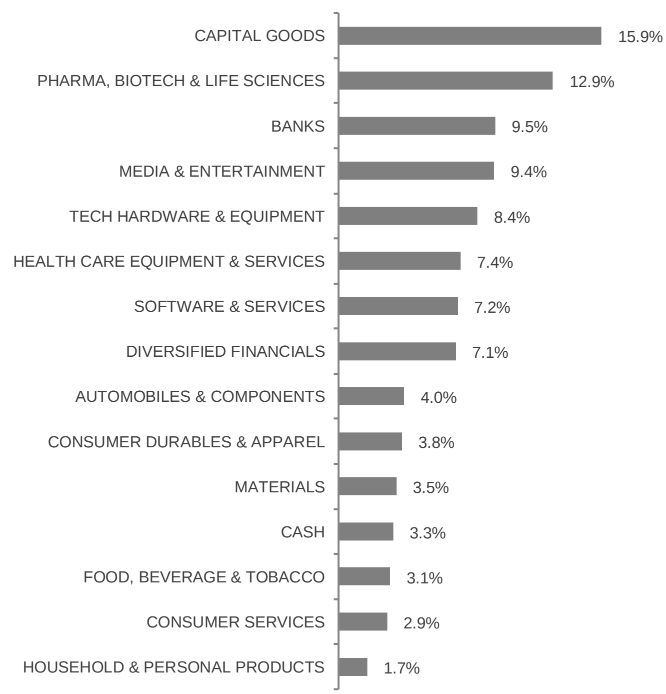
HeidelbergCement down -10%

Despite Heidelberg (HEI) being on track to report record high earnings per share in 2021, investors are worried about rising input costs and sold the stock off over the quarter. Historically, cement producers have found it difficult to fully pass-through input cost increases such as energy costs. An offsetting factor is the significant consolidation of the industry into a few large players which may allow for better pricing discipline going forward. Although we do anticipate some margin decline, HEI is now trading at a very attractive forward P/E of 9X and yielding >3.5%.

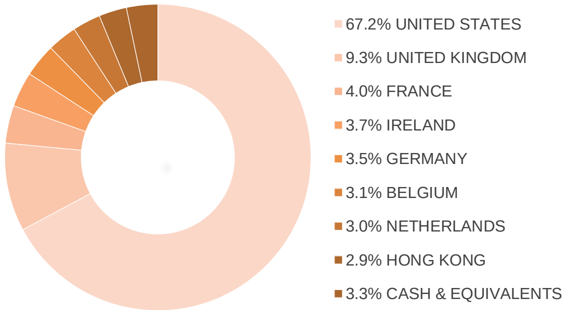
Walt Disney down -7%

The major reason for the underperformance of Disney (DIS) in 2021 was the disappointment in Disney+ subscriber growth. Many investors were predicting a repeat of 2020 in terms of Disney+ subscriber adds for the year which due to COVID, borrowed growth from 2021. We started our position right before DIS announced fourth quarter earnings where CEO, Bob Chapek, tempered expectations by saying the growth in subscribers would be weighted towards the second half of the year as it ramps up new content and finishes its global roll out of the service. This doesn't change our long-term view on Disney's streaming services. Secondly, although this risk appears to be abating, the parks and theatrical releases will see pressure from Omicron. As Omicron passes, we believe the parks will have one of its strongest cycles ever as Disney used the pandemic to lower costs and improve revenue generation. We used the weakness to add to our position.

Global Equity Pool Industry Split (Dec31/2021)



Global Equity Pool Geographic Split (Dec31/2021)



Buys & Sells

During the quarter, we added three new names to the portfolio: Visa, General Motors Company and The Walt Disney Company. In addition, we added to our position in Medtronic.

We reduced our positions in Schneider Electric, Voya Financial and Berkshire Hathaway. Three positions were eliminated from the portfolio: Alibaba Group Holding, Unilever and Emerson Electric.

As a result of these transactions, the cash and equivalents position decreased to 3.3% from 9.0% at the end of the prior quarter.

New Buys:

The Walt Disney Company

Disney+ has rapidly become one of the largest video streaming services in the world with 118 million subscribers and 179 million if you include Hulu and ESPN+. Its streaming services should be a strong contributor to growth for the next decade as it catches up with Netflix (214 million subscribers) and cable subscribers (more than a billion ex-China). Given that Disney has disintermediated the cable providers, longer term we believe its streaming services can exceed the 30% EBIT margins that its legacy TV channels generate. We are excited to be shareholders again of a company we believe has best in class properties and strong growth ahead.

Visa Inc.

Among the finest businesses Galibier has ever owned, we repurchased Visa for the third time in Galibier's history in the quarter. Visa is the world's largest retail electronic payments network, operating the familiar brands of Visa, Interlink and Plus networks. Plus is one of the world's largest ATM networks. The company has demonstrated consistent cash flow growth averaging over 17% per year for the last 10 years. With the network built and minimal capital expenditures, the company's formidable free cash flow translates into a free cash flow yield of 4% at our purchase price of \$194. Visa has a long history of deploying this high free cash flow into share buybacks and has reduced share count by 32% in the last ten years with the most recent buyback being completed at \$235/share. This remarkable financial performance is due to the network effect of its business model yielding high and steady EBITDA margins of ~68-70% and a ROIC of >20%. Perceived as a travel play by investors (cross border transactions are particularly lucrative to the processors), the rise of the Omicron variant spooked investors who sold the stock down from the \$250 level to the low \$190's where it was purchased. Longer term prospects for Visa remain very bright as it will continue to benefit from the secular shift to digital payments in both the developed and emerging markets.

General Motors Co.

General Motors (GM) is the largest U.S. auto manufacturer with 16% market share in the U.S. and operations in 30 countries. The company has shown strong earnings growth in 2021 despite struggles with the global semi-conductor shortage. GM, under the extremely good leadership of Mary Barra, has kept margins strong by prioritizing the production of high margin and high demand models. Future growth will come from its very heavy push towards electric vehicles. In fact, GM is targeting to have 30 electric vehicle models in its lineup by 2025 including its key launch of the electric version of the Silverado pick up truck in 2023. If chip shortages are resolved, we also expect significant catch-up production from GM which should lead to strong earnings in 2022. At our purchase price of \$58 the stock is trading at a ~9.5X price to earnings multiple.

Global Equity Pool Dynamics (Dec31/2021)

Measure	Global Pool	MSCI World
Fwd 12M P/E	19.1x	19.1x
Dividend Yield	1.7%	1.7%
Number of Names	26	1,546
Active Share[3]	96%	-

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.*