Galibier Opportunities Fund
Quarterly Investment Review

Q2 2018

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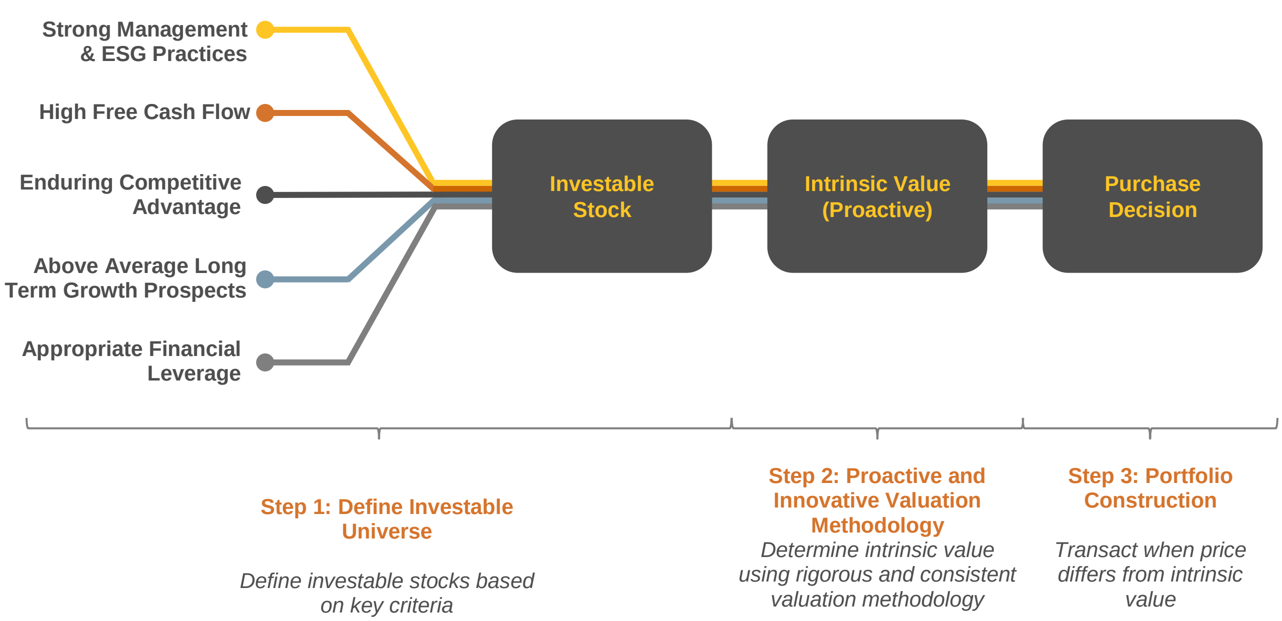
Galibier Capital Management Ltd.

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 – *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… ie. to be sanguine when others are discouraged and to be cautious when others are exuberant….

Summary of Results

Period ending: June 30/2018	3 months (%)	1 year (%)	2 year (%)	3 year (%)	Since Inception (%)
Galibier Opportunities Fund	**3.6**	**17.1**	**20.8**	**9.8**	**9.6**
S&P/TSX Composite (total return)	6.8	10.4	10.7	7.0	6.1

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 October 31, 2014.
v. Returns are presented only for periods during which Galibier has been registered as a portfolio manager.
vi. The investment objectives of the Galibier Opportunities Fund have not changed since the Funds' inception.
vii. All returns 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. 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.

See Note 1 and Disclaimer at the end of this document for information about the returns and benchmarks.
Source: Galibier Capital Management Ltd, Bloomberg.

Galibier Opportunities Fund

In Q2 2018, the Galibier Opportunities Fund's investment results were +3.6%. The one year return of the fund was +17.1%. Since its inception on October 31, 2014, the fund has provided an annual return of +9.6% versus the S&P/TSX index which returned +6.1%.

Opportunities Fund Largest Positions (Jun 30/2018)

	Long positions	Weight (%)
1.	Metro Inc.	6.8
2.	Park Lawn Corp.	6.0
3.	Walgreens Boots Alliance Inc.	5.7
4.	Colgate Palmolive Co.	5.5
5.	Anheuser-Busch InBev NV	5.4
6.	Starbucks Corp.	5.3
7.	WABCO Holdings Inc.	5.1
8.	Middleby Corp.	5.1
9.	NFI Group Inc.	4.9
10.	Stericycle Inc.	4.8
Total		**54.6**

	Short positions	Weight (%)
1.	Tiffany & Co.	(7.3)
Total		**(7.3)**

Best performers during the quarter[2]

Spin Master up +20%

After strong share performance to start the year, shares of Spin Master sold off on concerns around the Toys R Us bankruptcy and its potential impact on the financial results of the toy companies. We took that opportunity to add the shares into the portfolio and benefitted from the rebound in the share price that occurred in the weeks after the official Toys R Us bankruptcy. While there may be short term impacts on the toy industry, we believe that Spin Master is well positioned as a leader in innovation to continue to gain market share throughout all distribution channels.

Stericycle up +14%

The stock drifted higher over the quarter as investors increasingly appreciated that the malaise impacting the company from the difficult pricing environment in the small quantity market is coming to an end. As well, the company has the ability to cross sell various ancillary services to its huge installed base of clients including both medical and hospital systems as well as independent healthcare practices. As part of a large business transformation exercise, the sales force is being re-incentivised to do just this.

LVMH Moet Hennessy up +11%

LVMH outperformed during the quarter after posting better than expected organic growth of 15%. The shares responded favourably and moved towards our estimate of intrinsic value for the company based on our sum-of-the-parts valuation. The company has limited fashion risk due to its timeless brands and spirit categories as well as sustainable growth through its exposure to the wealthy U.S. and Asian consumer markets. LVMH remains a core holding in the portfolio for its ability to compound capital over the long-term.

Worst performers during the quarter[2]

NFI GROUP DOWN -16%

New Flyer's (NFI) performance during the quarter suffered from macro-economic concerns over rising steel prices and potential tariffs. New Flyer has manufacturing operations across North America, with a portion of its production crossing the border during the different manufacturing stages. Steel is an input to the manufacturing process but it accounts for only roughly 2% of the cost of building a bus, on an overall sales price of $500,000. While it may be a bit of a bumpy ride in the short term, we believe that manufacturing can be shifted between the New Flyer facilities to minimize border crossings and the impact of any tariffs. New Flyer competitors are subject to similar macro-economic factors, so we believe that pricing increases will be passed along to the customers to account for higher steel inputs or tariffs.

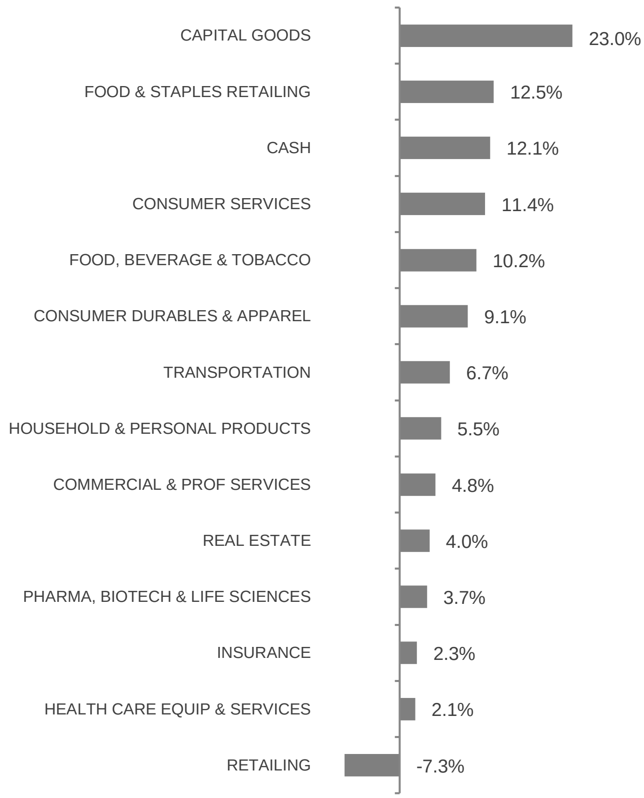
STARBUCKS DOWN -13%

Starbucks (SBUX) had a difficult quarter with a widely publicized incident in one of its stores coupled with the retirement of company founder and chief architect Howard Shultz and finally, a continued slowing of performance at its U.S. stores. However, we still see a company in a unique position with its brand power, 28,000+ global stores and broad appeal across a wide variety of socio-economic constituencies. SBUX's product lineup has demonstrated pricing power with high and increasing margins. In particular, China remains a significant source of future growth for SBUX, however this may represent a slight risk in the short run as the rhetoric regarding tariff and counter tariff policies of the two countries could strain relations.

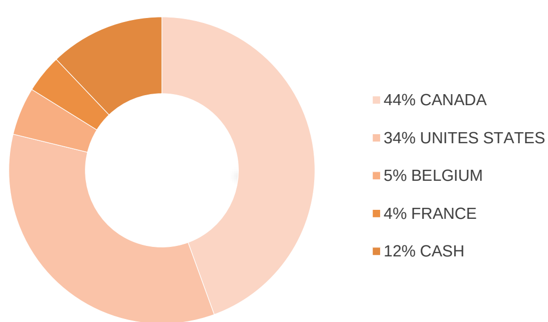
ALCANNA DOWN -6%

Alcanna (CLIQ) is a business undergoing a fair amount of change today with big opportunities in the future. Not only is it remodeling its liquor stores in Alberta, it is also rolling out a new enterprise resource planning system across its supply chain to have better control over inventory and customer data. With the upcoming legalization of cannabis, Alcanna has applied for and received many licenses in the province of Alberta to retail cannabis. We believe CLIQ is well positioned given its long track record of selling controlled substances and history of working with the Alberta liquor regulators. We also believe that longer term there may be opportunity in Ontario for Alcanna if the Ford government decides to move towards privatization of either the cannabis or liquor retail markets.

Industry Split (June 30/2018)



Geographic Split (June 30/2018)



Buys & Sells

Seven new positions were added to the fund in the quarter: Colgate Palmolive Co., Middleby Corp., Oshkosh Corp., Spin Master Corp., Park Lawn Corp, WABCO Holdings Inc. and short Tiffany & Co.

In addition, the fund added to several names due to positive fund flows including LVMH Moet Hennessy Louis Vuitton SE ADR, Walgreens Boots Alliance Inc., Anheuser-Busch Inbev NV ADR, Stericylce Inc., Starbucks Corp., Metro Inc., Alcanna Inc. and NFI Group Inc.

The fund reduced its positions in Dream Global REIT and Cargojet Inc.

Eight positions were eliminated: MEG Energy Corp., Brick Brewing Co., DHX Media Ltd., Northland Power Inc., Enghouse Systems Ltd., Ryanair Holdings PLC ADR, Gildan Activewear Inc. and Shire PLC.

New Buys:

Colgate-Palmolive Co.

Colgate (CL) is one of the world's best consumer product companies due to the high price to utility function for its products. In addition, CL's well-established global network of health care professionals including dentists (Colgate), dermatologists (Palmolive) and veterinarians (Hill's) support its oral care, soap, skin care and pet food offerings. Key global brands of CL include Palmolive, IrishSpring, Softsoap, Mennen, Javex, FAB, Ajax and of course, Colgate. The stock has sold off due to investor concerns regarding the pricing and volume pressures that have afflicted other companies in developed markets, however we believe this to be a short term issue as the company invests in its key brands and continues to aggressively reduce costs. The company has huge market share in a number of countries with >50% share in a number of emerging markets and derives the majority of its profitability outside of North America. Its products are low on the hierarchy of needs meaning that Colgate is well positioned as wealth per capita increases in emerging markets.

Middleby Corp.

Middleby (MIDD) is a dominant player in the commercial oven market. MIDD has the number one market share in pizza chains, convenience stores, fast casual, deli sandwich shops and steakhouses, just to name a few. The customer list includes names like Subway, McDonald's, Papa John's, Burger King and Starbucks. Its food processing business includes a number of brands for industrial processing, packaging and baking for customers like Costco, Kraft and ConAgra. In addition, MIDD owns the residential appliance brand, Viking. Middleby cements their relationships with customers by working collaboratively on new pieces of equipment when customers are looking to roll out new menu offerings. We believe that Middleby will continue to grow through consolidation of smaller brands, compounding its market position and importance to customers.

Oshkosh Corp.

Oshkosh is a manufacturer of specialty trucks including fire trucks, lifting platforms, military vehicles, garbage trucks and cement mixers. Many of OSK's brands hold industry leading market share positions in its respective categories including Pierce, JLGI, Oshkosh Defense, McNeilus and Con-E Co. The company has a pristine balance sheet with about $8 per share in net working capital which equates to roughly 12% of the share price. OSK's earnings power is around $5.50 in 2018 and we anticipate future earnings growth due to strong demand for lifting platforms (from Amazon and others), large well defined contracts for U.S. military trucks and growth in international markets. Our purchase price was made at a cash adjusted 11X price to earnings.

Spin Master Corp.

Spin Master (TOY) is an innovative and fast growing company in the global toy and game space. TOY is well known for some of its top platforms including Paw Patrol and Hatchimals, which are part of a diverse portfolio of owned and licensed brands. Started by three university students who still own a significant stake in the company today, Spin Master has grown through a combination of unique and creative internal developments and a number of acquisitions, where they can add value to the platform. Shares sold off during the quarter around fears related to the Toys R Us bankruptcy and we used that weakness to add Spin Master to our portfolio.

Park Lawn Corp.

Park Lawn Corporation (PLC) owns a collection of cemeteries, funeral homes and offers death care related services across North America. The current management team joined the company in 2013 and has dramatically grown the asset portfolio through a number of acquisitions over the past five years. We believe that PLC has a sustainable competitive advantage since most people want to be located near loved ones and it is difficult to get permitting for new cemeteries as they are exempt from property taxes which make them unattractive to municipalities. Park Lawn already has a significant cemetery inventory with the opportunity to densify through mausoleums on some of their sites. We believe that Park Lawn is a unique asset base in Canada with a quality management team and strong growth prospects.

WABCO HOLDINGS INC.

WABCO is a global leading manufacturer of safety and braking systems to truck manufacturers (i.e. anti-locking braking systems, stability controls, etc). The company is the leader in a concentrated industry with high barriers to entry and we anticipate WABCO to continue to gain share against its smaller peers due to its technology leadership as well as large portfolio of patents. The shares have sold off significantly over the last few months following a failed takeover attempt, concerns about the truck production cycle, and tariff-related uncertainties. While some of these concerns are warranted, going forward we anticipate WABCO to grow significantly above and beyond the global truck market as governments enforce new regulations to push manufacturers to adopt better safety systems on trucks. Consequently, as the current stock price is well below our estimate of intrinsic value, we took this opportunity to build a position in the company at an attractive free cash flow yield of 7%.

New Shorts:

TIFFANY & CO.

The fund entered into a short position in Tiffany & Co. (TIF) after the company reported a strong first quarter which benefitted from the rollout of a new more value conscious jewellery lineup. However, the company explicitly noted that the first quarter's results should NOT be projected into the future. Never the less, the stock soared to an all-time high share price and a sky high price-to-earnings multiple. We expect TIF to sell off over the next few months, especially given its significant exposure to China, as it may be a casualty to the increasing dis-harmony between the U.S. and China due to Trump's tariff war. In addition, the fund has a large position in LVMH Moet Hennessy Louis Vuitton which is a peer to Tiffany's in some respect and we expect to significantly outperform TIF in the future.

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 return to the pool during the most recent quarter and includes the impact of market price changes, buys, sells, and dividends (if any).*