Quarterly Investment Review

Q1 2018

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"[Investing] is not a business where you take polls, investing is a business where you think"

- Warren Buffett

The first quarter of 2018 was marked by sharp volatility as investors reacted to tax cuts (positive), rate increases (negative), earnings growth (positive) and the rise of protectionism and tariffs (negative). The markets rallied one day and sold off sharply the next.

At Galibier, our philosophy and our investment process allow us to embrace volatility. Our focus is always the determination of future earnings, cash flow and balance sheet structure. This longer term view gives us comfort in periods of market unease as we look beyond present conditions. Our process of proactively calculating our estimates of intrinsic value allows us the confidence to act if 'Mr. Market' gives us an opportunity.

The market price of a stock is like a never-ending vote or poll of what a large group of people judge as fair value for the stock. But the market price tells us nothing about the actual business and, most importantly, tells us nothing about its VALUE. Only fundamental factors such as future earnings, cash flows and balance sheet structure determine true value.

Thus, at Galibier we focus on determining a company's true or "intrinsic" value by projecting future earnings and by assessing the company based upon its fundamentals, rather than observing what a 'poll of investors' happens to be telling us about its stock price. We also view growth in these fundamental factors as a component of value. Ultimately, we look for differences between market prices and our view of intrinsic value – buying when our view of intrinsic value is well above market price and selling when our view of intrinsic value is well below market price.

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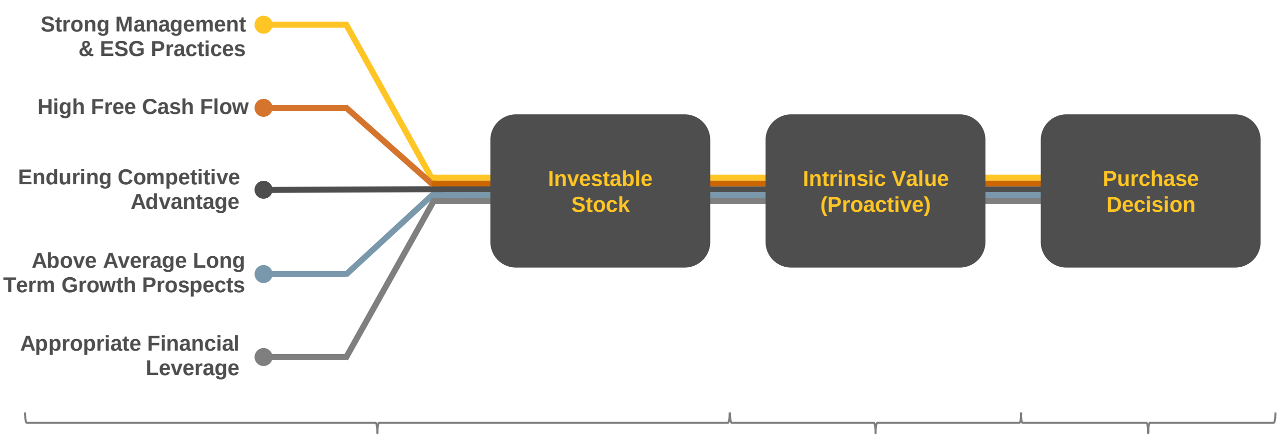
Galibier Capital Management Ltd.

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*



Step 1: Define Investable Universe

Define investable stocks based on key criteria

Step 2: Proactive and Innovative Valuation Methodology

Determine intrinsic value using rigorous and consistent valuation methodology

Step 3: Portfolio Construction

Transact when price differs from intrinsic value

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….

Galibier Canadian Equity Pool Summary of Results

Period ending: Mar 31/2018	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	5 Year (%)	Since Sep 27/12 (%)
Galibier Canadian Equity Pool	**-0.8**	**9.8**	**14.2**	**6.8**	**8.0**	**12.3**	**12.5**
S&P/TSX Composite (total return)	-4.5	1.7	9.8	4.1	4.8	6.9	7.2

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 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.*

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 2018, the S&P/TSX Composite Index provided a total return of -4.5%. The Galibier Canadian Equity Pool results were -0.8%. For the 1-year period ending Mar 31/2018, Galibier's Canadian Equity Pool returned +9.8% versus the S&P/TSX up +1.7%. Over the past five years, the Canadian Pool's annualized return has been +12.3% per year which was ahead of the +6.9% annual return of the index. At the end of the quarter, the active share[3] of the portfolio was 84%.

Canadian Equity Pool Top Holdings (Mar 31/2018)

		Weight (%)
1.	Cargojet Inc.	6.6
2.	CIBC	5.8
3.	Dream Global REIT	5.2
4.	Intertape Polymer Group Inc.	4.7
5.	CGI Group Inc.	4.5
6.	Manulife Financial Corp.	4.4
7.	Ag Growth International Inc.	4.4
8.	WSP Global Inc.	4.4
9.	Industrial Alliance	4.3
10.	Metro Inc.	4.1
Total		48.4

Best performers during the quarter[2]

Cargojet up +17%

Cargojet (CJT) shares continued to perform well in the quarter. CJT is a provider of overnight cargo delivery service across Canada. As retailers like Amazon expand its market share, Cargojet will continue to benefit from the demand for time sensitive delivery offerings like Amazon Prime. Bricks and mortar and other online retailers must offer similar shipping times in order to be competitive. On the operations side of the business, Cargojet is taking additional service offerings in-house, like ground handling and fueling, which not only reduces costs but increases its control over timing and quality of the work.

Dream Global up +14%

Dream Global (DRG) shares were strong in the quarter as the company continued to execute on its diversification and capital recycling plans. With operations in Germany, Austria, Belgium and the Netherlands, the management team has successfully diversified the real estate portfolio geographically and by tenant. We expect DRG will continue to make accretive deals when available and anticipate its relative valuation discount versus European peers to close in the future.

CCL Industries up +12%

The shares of CCL Industries had positive returns in the quarter. Its fourth quarter financial results showed stronger than expected organic growth within its core CCL label division. That was followed up by a small acquisition which highlights its ability to make accretive, tuck-in acquisitions, further adding to the value of the business. As brands continue to battle for shelf space and customer attention, we expect the role of labeling to continue to expand. We also believe the company is well positioned to continue to consolidate its markets, possibly through a sizable acquisition in the next year or two.

Enghouse Systems up +11%

Enghouse Systems, a consolidator of software systems, continued to improve its operating performance in the quarter as annual growth in EBITDA accelerated to 11%. Future growth and a higher stock price should come from acquisitions as the company invests its significant excess capital – a key competitive advantage. Due to the strong stock price performance since adding to the position last summer, we trimmed our holdings during the quarter.

Worst performers during the quarter[2]

Maxar Technologies down -26%

MacDonald, Dettwiler & Associates completed the acquisition of DigitalGlobe in the fourth quarter of 2017 to form Maxar Technologies Ltd. The new company reported positive results in its first quarter but shares of the new company came under pressure as initial guidance concerned investors. The concern is focused on cash flow generation which is under pressure from lower communication satellite orders and the construction of satellites for the next generation of earth observation infrastructure for internal use. However, the company will benefit from the long life assets and the recurring cashflow they generate. In addition, the communication satellite market has picked up with three announced wins for the company so far in 2018. To further align management and shareholders, the board of directors has added cash flow as a key performance indicator for management compensation.

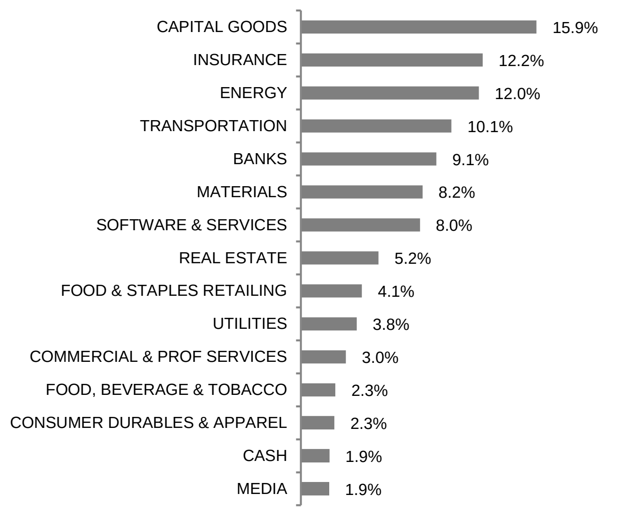
DHX Media down -15%

Shares of DHX Media remained under pressure as the company's strategic review has taken longer than anticipated. The company now expects the review to be completed prior to June 30, one quarter later than originally planned. Additionally, recognising that the company has not performed to expectations the board of directors replaced senior management. Long-time shareholder and Chairman, Michael Donovan, has returned to the CEO position. In the meantime, the company has signed numerous licensing deals for its library and new shows with long term partners such as Netflix, Tencent and Turner Networks. The outcome of the strategic review should, at a minimum, allow the company to reduce debt levels with the potential for a larger transaction to sell the whole company. Either outcome should be positive for the share price which remains well below our estimate of intrinsic value.

Exchange Income down -12%

Despite solid fourth quarter operating results, the shares of Exchange Income Corp. were weaker during the quarter. The company recently announced the acquisition of Moncton Flight College and a partnership with Wasaya Group, both of which should be synergistic to its core airline business. After meeting with the CEO, Mike Pyle, to discuss the two announcements, we believe the new capital investments should lead to solid revenue and earnings growth in 2018 and into the future.

Canadian Equity Pool Industry Split (Mar 31/2018)



Buys & Sells

During the quarter, two new names were added to the fund: Enbridge Inc. and Metro Inc. In addition to numerous positive fund flow driven trades, the fund increased its weights in CCL Industries Inc., CGI Group Inc., Liquor Stores N.A. Ltd. and Maxar Technologies Ltd.

The fund reduced its position in Cenovus Energy Inc. Enghouse Systems Inc. and Gildan Activewear Inc. One position was eliminated during the quarter: Pembina Pipeline Corp.

As a result of these transactions, the cash position stayed flat at 1.9% as compared to the end of the prior quarter.

New Buys:

ENBRIDGE INC.

Enbridge, a major North American pipeline and gas utility company, was added to the portfolio. Over the quarter, the shares sold off as investors became concerned about the company's ability to execute on the significant number of projects currently under development, which requires over $20 billion of spending over the next 3 years. To fund this spending the company will sell some non-core assets and utilize internally generated cash flow. With a projected return of 12% on the incremental capital, and a history of executing on plan, the company will be in a strong financial position once spending returns to more normalized levels in 2021.

METRO INC.

Metro is a leading Canadian food retailer and distributor with over 850 stores in Ontario and Quebec under banners such as Metro, Super C, Adonis, Food Basics and Brunet. The company is in the middle of acquiring Jean Coutu Group, which will add more than 400 stores primarily in Quebec and solidify its dominance in that market. Shares of the company were added to the portfolio as they fell below our view of intrinsic value. Management has consistently delivered a mid-teen return on invested capital and has been able to manage profitability in a time of industry deflation. Under this same team the company and its share price is well positioned to benefit from integrating Jean Coutu which will allow for at least $75m in cost synergies.

Canadian Equity Pool Dynamics (Mar 31/2018)

Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	18.2x	15.2x
Dividend Yield	3.1%	2.9%
Active Share[3]	84%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Global Equity Pool Summary of Results

Period ending: Mar 31/2018	3 Months (%)	Since May 12/17 (%)
Galibier Global Equity Pool	**3.1**	**6.5**
MSCI World (CAD, total return)	1.6	4.2

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.*

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

The MSCI World Index returned +1.6% in Q1 2018 as measured in Canadian dollar terms. Galibier's investment results were +3.1% for the quarter. Since inception of the fund, the Galibier Global Equity Pool has returned +6.5% versus the benchmark return of +4.2%. At the end of the quarter, the active share[3] of the portfolio was 95%.

Global Equity Pool Top Holdings (Mar 31/2018)

		Weight (%)
1.	Shire PLC	5.8
2.	LVMH Moet Hennessy Louis Vuitton SE ADR	5.5
3.	Anheuser-Busch Inbev NV ADR	5.2
4.	Ryanair Holdings PLC ADR	5.0
5.	Walgreens Boots Alliance Inc.	4.7
6.	Schneider Electric SE	4.5
7.	Heidelberg Cement AG	4.5
8.	Alphabet Inc.	4.1
9.	Biogen Inc.	4.1
10.	BB&T Corp.	3.9
Total		**47.3**

Best performers during the quarter[2]

Ryanair up +21%

Ryanair appears to have put some of its labour problems behind it and progress continues to be made with key geographies. Overall there will be a small impact on cost structure but the company remains far and away the low cost provider in its markets. In terms of growth, the company sees some ability to raise prices to offset fuel price pressures and labour cost increases particularly in light of an improving competitive environment in Western Europe. Longer term, the company will continue to add to its destinations and city pairs. New fleet aircraft with improved economics as well as extended airport deals should drive significant sustainable growth.

Cognizant Tech Solutions up +17%

Cognizant (CTSH) shares rallied on a strong quarter as digital revenue increased 11% over the year and operating margin increased to 19.7% indicating the company is on track to meet its long term margin goal of 22%. CTSH has increased revenue as its corporate client base continues to move their business to a more digital format to engage their clients and increase efficiency. As the shares of the U.S. based IT services company continued to benefit from higher levels of revenue and profits, we trimmed our position.

Thermo Fisher Scientific +12%

Thermo Fisher (TMO) has been on a tear on the acquisitions front. In the past months it has acquired Affymetrix, FEI and Patheon. As a result, the company now commands a ~25% market share in the life science instrument and consumable markets. The acquisitions mean that TMO has rounded out its product line to allow for true one stop shopping which gives it significant competitive advantage when negotiating with large healthcare buying groups. The consumable market in particular has very strong secular growth ahead of it which bodes well for TMO's earnings power to increase. The company has very high free cash flow to reduce acquisition related debt which will be positive for the shares in the near term.

NIKE UP +10%

Nike (NKE) reported another strong earnings number this quarter and continued solid results in China offset somewhat weaker performance in North America. The company has invested heavily in building a direct to consumer platform which should lead to market share improvements in North America near term. As well, the company recently purchased Zodiac which is a consumer data analytics firm which further demonstrates NKE's commitment to its on-line marketing initiative. Nike has a pristine balance sheet (net cash of ~ $4.00/share) but does trade at a sizeable multiple even cash adjusted. Being mindful of this full valuation we have reduced our position.

Worst performers during the quarter[2]

BIOGEN DOWN -13%

Investors in Biogen (BIIB) endured exceptional volatility over the quarter. The stock initially rallied from $334 to $370 and then sold down to $260. Biogen has a steady stream of earnings from its existing drug portfolio focused on multiple sclerosis and oncology. With the steady cash flow from this business, Biogen is developing a novel therapy for Alzheimer's treatment which has a potentially huge positive impact on future earnings power. During the quarter, BIIB announced that it was adding to the size of the trial for this drug which, although inconclusive, investors took as a negative. Happily in the quarter we significantly sold down our position in BIIB in the $335-$365 range and then bought the position back at $271-$288.

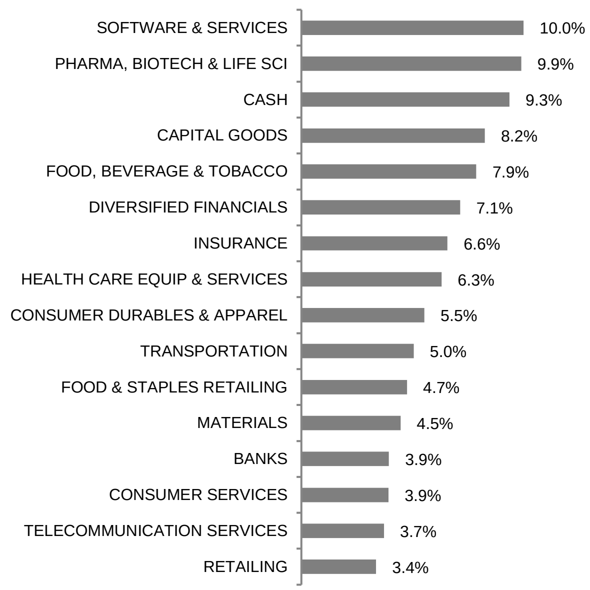
WALGREENS BOOTS ALLIANCE DOWN -9%

Vertical integration in the drug industry continued during the quarter with insurer Cigna acquiring pharmacy benefit manager Express Scripts and with Wal-Mart rumored to be acquiring insurer Humana. Consequently, investors are concerned Walgreens' 'moat' or competitive advantage will erode overtime as a standalone retail pharmacy. Further adding to the uncertainty, Amazon entered into a joint-venture with Berkshire Hathaway and JPMorgan to explore healthcare alternatives for their employees. We believe those concerns are overplayed and we fully agree with the Walgreens CEO's strategy of pursuing vertical partnership with payers in order to be on good terms with all players in the healthcare space while minimizing conflicts of interests. The shares are very attractive versus our estimate of intrinsic value for the company.

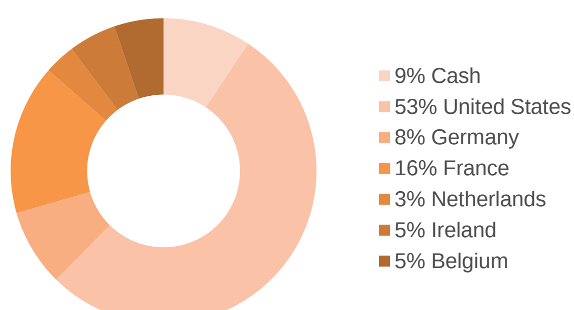
HEIDELBERG CEMENT DOWN -7%

Heidelberg is among the world's most globally diversified provider of cement and building materials. The stock reported in line earnings in the quarter but investors may have been slightly disappointed with the rate of dividend growth. Looking forward, the company has significant synergies to realize from its acquisition of Italcementi which ultimately should lead to significant returns of cash to shareholders. The stock has also probably weakened due to investor frustration with the rate of infrastructure spend in developed markets versus expectations. Our view is that this infrastructure underspending is unsustainable, especially in light of increasing weather severity (flooding) and thus the long term prospects for cement producers are quite favorable. The company trades at 11X 2018E earnings per share and offers a 2% yield.

Global Equity Pool Industry Split (Mar 31/2018)



Global Equity Pool Geographic Split (Mar 31/2018)



Buys & Sells

During the quarter, two new names were added to the portfolio: LVMH Moet Hennessy Louis Vuitton SE ADR and Walgreens Boots Alliance Inc. In addition to the new names, the fund added to several positions including Anheuser-Busch Inbev NV ADR, Biogen Inc., Heidelberg Cement AG, MetLife Inc., Schneider Electric SE and Shire PLC ADR.

The fund reduced its exposure to Cognizant Tech Solutions Inc., Nike Inc. and Ryanair Holdings PLC ADR. Three names were eliminated: Echo Global Logistics Inc., Fluor Corp. and Kering ADR.

As a result of these transactions, the cash position rose to 9.3% from 7.2% at the end of the prior quarter.

New Buys:

LVMH MOET HENNESSY LOUIS VUITTON SE ADR

Louis Vuitton Moet Hennessy (LVMH) is a powerhouse of global luxury brands across categories including leather goods, wine and spirits, perfumes, jewelry, and the successful retailing concept Sephora. The management team has a proven track record of managing the brand portfolio for the long-term by successfully avoiding markdowns and controlling distribution in order to preserve the company's competitive advantage. Going forward, LVMH stands to compound in value as it continues to grow its revenues at a high single digit rate with continuous volume growth from high net worth populations around the world and pricing gains from new product development and innovation.

WALGREENS BOOTS ALLIANCE INC.

The U.S. population is aging and this is driving growth in overall prescription drugs. Walgreens, the largest retail pharmacy in the U.S., is a prime beneficiary of this trend and we expect the company's strong competitive advantage to drive above average growth through further market share gains. Because of its scale, Walgreens benefits from strong bargaining power when sourcing drugs from suppliers as well as when negotiating reimbursement fees with payers. In addition, its nationwide store network provides significant value to insurers who look to partner with Walgreens in order to offer convenience to their members. The shares have sold off over the past few months due to uncertainty driven by Amazon-related rumors and vertical integration in the drug industry (ie: CVS Health merging with Aetna). During the quarter we took advantage of this uncertainty to take a position in the company at an attractive free cash flow yield of 7.7%.

Global Equity Pool Dynamics (Mar 31/2018)

Measure	Global Pool	MSCI World
Fwd 12M P/E	15.5x	15.5x
Dividend Yield	1.9%	2.4%
Active Share[3]	95%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Notes:

1. *When evaluating the performance of any investment, it is important to compare it against an appropriate benchmark in order to make an informed assessment of the account's performance based on its investment strategy. Galibier utilizes broad market indexes such as the S&P/TSX Composite index, 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.*