Galibier Capital Management Ltd.

Quarterly Investment Review

Q2 2017

Joseph Sirdevan, CFA
Graham Anderson, CFA, CA
Scott Connell, CFA
Lauree Wheatley, CFA
Andrew Wallman, CFA
Kelvin Wong
Investors

Results

"Wait(ing) for the fat pitch"

- Warren Buffett

Stock picking is like being the batter at a baseball game, except that there are no called strikes. Everyday, "Mr. Market" tosses us "pitches" such as New Flyer at $56, or Royal Bank at $95 or Pfizer at $34. The trick is to be patient and to only swing (transact) if the pitch is "fat" (in our sweet spot). If not, we continue to wait. Fortunately, Mr. Market never grows tired of pitching.

At Galibier, we don't follow every company in the index. In fact, quite the opposite. Our investment process requires that we only focus on companies that demonstrate our five specific investment criteria: (1) an enduring and sustainable competitive advantage, (2) a strong management team, (3) high free cash flow, (4) above average growth prospects, and (5) appropriate financial leverage. Only those companies that meet these strict criteria are included in our investable universe. We then employ our rigorous valuation process to proactively calculate intrinsic value of these companies. When a stock's market price is below our calculated intrinsic value it becomes a "fat pitch". The advantage of narrowing the universe to only a subset of names is that we can stay within our circle of competence – where we have an edge.

During the second quarter of 2017, the positive impact of the Trump effect was dimmed largely due to inaction by the White House as it seemed to be wrestling with scandal after scandal. Little progress has been made on the highly anticipated and potentially far reaching policy changes around both health care reform and tax cuts.

In the quarter, the S&P/TSX Composite Index provided a total return of -1.6% while the S&P500 Index (C$) was up +0.4% and the MSCI World Index (C$) was up +1.3%.

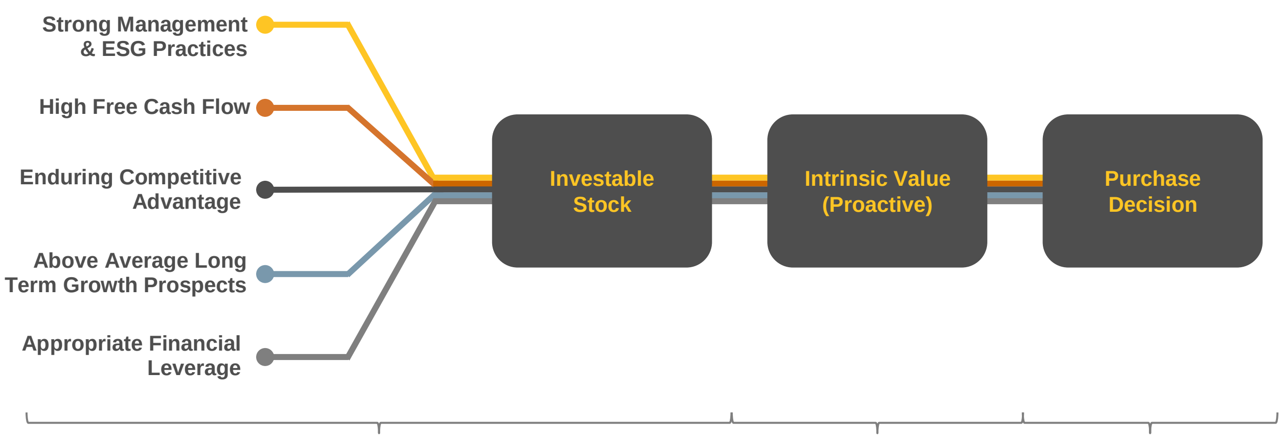
This is the first quarterly report for the Galibier Global Equity Pool. On May 12, 2017 we officially changed the investment objectives of the Galibier U.S. Equity Pool to allow us to own more global stocks. Our U.S. Equity Pool, which has been run since inception of Galibier, has owned global stocks. In addition, we have always owned U.S. companies that although listed in the U.S., still derived a significant amount of revenue and profitably from the company's global operations. Our motivation in moving to a true global investment mandate is that global investing gives us access to more companies which possess our desired investment criteria and, in some cases, offer more compelling valuation propositions than their U.S. peers.

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

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: June 30/2017	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Sep 27/12 (%)
Galibier Canadian Equity Pool	**1.7**	**15.8**	**7.2**	**4.5**	**13.0**	**12.7**
S&P/TSX Composite (total return)	-1.6	11.0	5.3	3.1	9.0	7.6

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 Q2 2017, the S&P/TSX Composite provided a total return of -1.6%. The Galibier Canadian Equity Pool's investment results were better at +1.7%. For the one year period ending June 30/2017, Galibier's Canadian Equity Pool returned +15.8% versus the S&P/TSX return of +11.0%. Since its inception, the Canadian Pool has returned +12.7% per year versus the index return of +7.6% per year.

Canadian Equity Pool Top Holdings (Jun 30/2017)

		Weight (%)
1.	CIBC	6.1
2.	Manulife Financial Corp.	5.3
3.	Cargojet Inc.	5.2
4.	Industrial Alliance	5.1
5.	Dream Global REIT	4.7
6.	WSP Global Inc.	4.7
7.	CGI Group Inc.	4.5
8.	Gildan Activewear Inc.	4.4
9.	Exchange Income Corp.	4.3
10.	Northland Power Inc.	4.3
Total		48.6

Best performers during the quarter[2]

VERESEN UP +26%

Veresen (VSN) shares were up sharply during the quarter after receiving a take-over offer from Pembina Pipeline Corporation. As we commented last quarter, we purchased VSN due to its strong existing asset base and a well-defined growth profile in its midstream business. Pembina views the Veresen assets as geographically complementary as well as providing enhanced diversification by resource and facilities. In addition, Veresen executed on its planned sale of its power assets during the quarter.

DREAM GLOBAL REIT UP +16%

Dream Global REIT (DRG) had solid performance in the quarter as the company continues to make attractive acquisitions. This highlights the company's low cost of borrowing versus the expected returns available on new property acquisitions in Europe. DRG's new listing on the Frankfurt Stock Exchange has also helped to narrow the valuation gap between the German listed comparable companies and Dream Global REIT, as some European investors were previously unable or unwilling to buy Canadian listed equities. Finally, the high level of renewals by one of DRG's largest tenants (Deutsche Post) for the 2018 window gives stability to this longstanding relationship.

WSP Global up +15%

Shares of WSP Global (WSP) responded positively to an improvement in the company's rate of revenue growth and backlog of future projects during the first quarter of 2017. After five quarters of relatively soft organic growth in its Canadian operations due to the knock-on effects of low commodity prices, the company reported its second quarter in a row of gains with 4% revenue growth. The company also reported a backlog of $6 billion in future projects, an 8% increase for the year, supporting our growth assumptions going forward.

Ag Growth International up +15%

Ag Growth (AFN) reported stronger than expected results in the first quarter, leading to strong share price performance. Management indicated signs that pointed towards a rebound in spending at the U.S. farm level, which is positive not only for Ag Growth, but also the industry. AFN is making solid progress in Brazil with its new production facility and hope to have it commissioned before year end. We believe AFN has a number of integration opportunities available including improving operations at acquired companies, but also cross selling new products into its existing customer base. Long term we like AFN's prospects in Brazil as well as the roll out of its business in the feed, seed and food end markets.

Worst performers during the quarter[2]

Cenovus Energy down -36%

As mentioned in our Q1 2017 report, Cenovus entered into a value destroying purchase of the remaining half of the Foster Creek and Christina Lake heavy oil assets that it didn't own and it took on significant debt to do so. Over the course of Q2, oil prices have been quite weak so that despite the fact that the debt is largely termed out, investor's sold off the stock. At the current price we see Cenovus as quite inexpensive vs. it's heavy oil peers and perhaps is a potential target for an acquisition. Happily, the architect of this disastrous strategy is "retiring" and hopefully the company will be able to attract a new leader to right the ship.

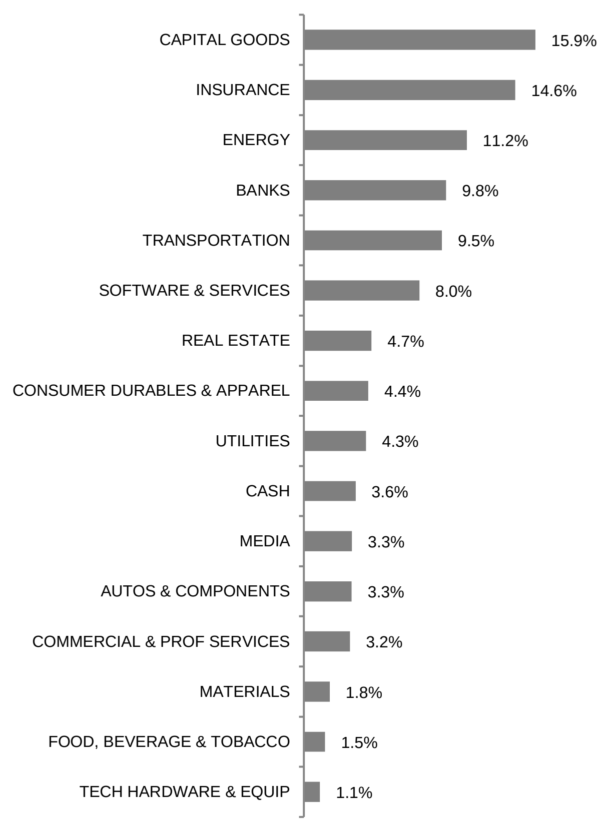
Exchange Income down -14%

Exchange Income (EIF) had weak share price movement following the release of its first quarter results. EIF's regional airlines fly into a number of remote, Northern communities and Q1 had significantly more challenging weather than the previous year, with double the number of flights cancelled. The company took advantage of the downtime to do additional MRO (maintenance, repair and overhaul), which created incremental costs in the first quarter. We believe that EIF has a number of growth initiatives including potential acquisition opportunities and the delivery of its new surveillance plane.

Enghouse Systems down -9%

Enghouse Systems Ltd (ENGH) shares were pressured in the quarter by low revenue growth as a weakening U.K. currency and a move to a subscription revenue model from a licensing model had a negative impact. Going forward, revenue growth and the stock price should benefit from further acquisitions, a core competitive advantage of the firm. Management continues to see a sizeable pipeline of accretive acquisition opportunities. The firm's ability to buy smaller software companies and increase revenue and margins through its proven integration strategy will lead to higher earnings in the future.

Canadian Equity Pool Industry Split (Jun 30/2017)



Buys & Sells

Two new names were added to the fund in the quarter: Intertape Polymer Group Inc. and Liquor Stores N.A. Ltd. In addition, the fund added to its positions in a number of names due to incoming fund flows.

One position was eliminated: Computer Modelling Group Ltd.

As a result of these transactions, the cash position decreased slightly to 3.6% from 4.3% at the end of the prior quarter.

New Buys:

INTERTAPE POLYMER GROUP INC.

Intertape Polymer (ITP) is a Quebec-based manufacturer of a variety of tapes, films and woven products for industrial and retail uses. The company breaks its revenue into three segments: Tapes (66% of revenue), Films (19%) and Wovens (15%) and is the second largest tape manufacturer in North America behind 3M. The majority of ITP's revenues are to industrial distributors and large customers such as Amazon and UPS. These customers represent repeat sales which are relatively sticky as customers are reluctant to switch. The company's competitive advantage comes from its position as a low cost manufacturer, its vertical integration and its superior customer service relative to its primary competitor. Near term, the company will benefit from improved operations as they invest $100 million in high return projects to increase capacity, where they are currently constrained, and to further improve the cost structure. Over the next several years the company will also benefit from further consolidation in the industry where they have been a key consolidator. Management's goal to double the size of the company is achievable and should reward shareholders.

LIQUOR STORES N.A. LTD.

Liquor Stores (LIQ) is the largest publicly traded liquor store operator in Canada. As liquor stores are highly regulated, it creates a natural barrier to entry for the industry. LIQ operates the majority of its stores in Alberta, with smaller operations in British Columbia, Alaska, Kentucky and the U.S. Northeast. We believe that the recent Board shake up will be a catalyst to execute on its opportunity to increase private label penetration, improve inventory turnover and renovate tired stores, all of which will drive both revenue and margins. We also expect to see a strategic review of the U.S. business, which could lead to additional capital for reinvestment in Canadian systems, store renovations and other value adding opportunities.

Canadian Equity Pool Dynamics (Jun 30/2017)		
Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	17.4x	14.9x
Dividend Yield	3.0%	2.8%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Global Equity Pool Summary of Results

Period ending: May 12/2017	-	QTD May12/17 (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Sept27/12 (%)
Galibier U.S. Equity Pool	**-**	**5.5**	**30.5**	**12.7**	**13.6**	**17.8**	**18.1**
S&P500 (CAD, total return)	-	4.4	26.7	16.5	19.1	21.6	22.4
Period ending: June 30/2017	Since May12/17 (%)	-	-	-	-	-	-
Galibier Global Equity Pool	**-1.9**	**-**	**-**	**-**	**-**	**-**	**-**
MSCI World (CAD, total return)	-3.9	-	-	-	-	-	-

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. (From Sept 27, 2012 to May 12, 2017 as the Galibier U.S. Equity Pool and from May 12, 2017 to present as the Galibier Global Equity Pool.)*
v. *Returns are presented only for periods during which Galibier has been registered as a portfolio manager.*
vi. *The investment objectives of the Galibier Global Equity Pool were changed on May 12, 2017. The following changes were made:*
   a. *The name changed from the Galibier U.S. Equity Pool to the Galibier Global Equity Pool.*
   b. *The investment objectives and investment strategies were updated to include investments in global equity securities.*
   c. *The benchmark changed from the S&P500 Index (CAD, total return) to MSCI World Index (CAD, total return).*
vii. *All returns of the Galibier Global Equity Pool (formerly known as the Galibier U.S. 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 Global Equity Pool

On May 12, 2017 we changed the Galibier U.S. Equity Pool to the Galibier Global Equity Pool to allow us to own more global stocks. Since May 12, 2017, the Galibier Global Equity Pool returned -1.9% versus the MSCI World index return of -3.9% as measured in Canadian dollar terms.

Global Equity Pool Top Holdings (Jun 30/2017)

		Weight (%)
1.	Alphabet Inc.	5.2
2.	Kering ADR	5.1
3.	Zimmer Biomet Holdings Inc.	5.0
4.	Nike Inc.	5.0
5.	Thermo Fisher Scientific Inc.	4.9
6.	Emerson Electric Co.	4.6
7.	J.P. Morgan Chase & Co.	4.5
8.	Echo Global Logistics Inc.	4.5
9.	Biogen Inc.	4.4
10.	MetLife Inc.	4.1
Total		**47.3**

Best performers during the quarter[2]

Kering up +29%

The first half of 2017 has been very kind to Kering shareholders. Two of the luxury good company's key banners have been exhibiting very strong sales momentum – Gucci and Yves Saint Laurent. We expect continued good performance from these iconic banners and hopefully continued margin improvement at Puma which should more than offset lingering slowdown in global watch/timepiece sales. The stock has been very strong and Galibier has trimmed its position somewhat in response to this strength.

Ryanair up +27%

Similar to Kering, Ryanair has been operationally very strong. In particular, the company has a very solid backlog of bringing on more and more city pairs with its 'Ultra Low Cost Carrier' model. Ryanair offers a compelling value proposition to Europeans on the move. We see a number of years of strong revenue growth from Ryanair. As well, our meetings with management confirm that they are as passionate as ever about growing the business.

ING Groep up +15%

ING a pan-European bank and financial services company was purchased at a very attractive price heading into the Dutch National Elections. The bank had sold off into the election and has rallied since. Looking forward we anticipate strong return on equity (ROE) development due to its challenger bank strategy outside of its home market of the Netherlands. On a price to ROE adjusted book value basis, ING continues to look quite inexpensive and, with its current attractive yield, offers investors a compelling value proposition.

Thermo Fisher Scientific up +11%

Thermo Fisher offers investors a portfolio of business units supporting the global pharmaceutical and academic research segments. The company is the world's largest provider of research instruments and consumables. The company continues to leverage its competitive advantage in distribution by making accretive acquisitions which was the case in the second quarter with the purchase of Patheon, following on from the earlier announcements of the purchase of Affymetrix and FEI Company. We look for integration and accretion to earnings power as a result of these acquisitions.

Worst performers during the quarter[2]

Echo Global Logistics down -9%

Echo Global Logistics had another weak quarter of performance as freight market pricing remained depressed. The company completed the technology integration of its most recent acquisition, Command Transportation, in Q4 of 2016 and we are optimistic that results will start to reflect the combined power of this business. Regulatory tailwinds relating to electronic log devices should take some additional capacity out of the freight market later this year, which should lead to an improved pricing environment.

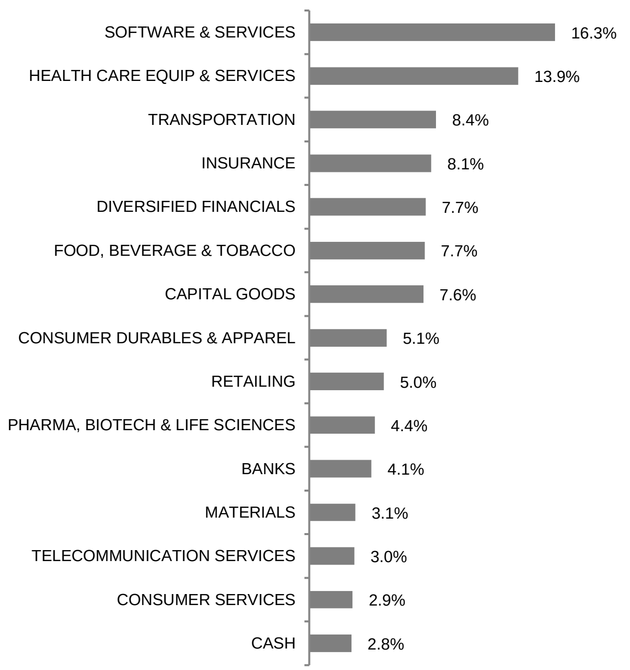
Davita down -7%

The world's second largest dialysis provider has 2,400 clinics based in the U.S. Unfortunately, the company has seen pressure on its reimbursement rates which have impacted margins. In particular, in the near term the company will be facing lower margins as commercial payers negotiate rates lower. As well, Medicare and Medicaid will keep overall dialysis reimbursements subdued. Davita's competitive advantage stems from its scale and industry cost leadership position which should insulate it from these margin pressures. In its physician group management segment, Medicare Advantage cuts are again impacting margins lower.

Anheuser-Busch down -6%

Over the quarter, Anheuser-Busch (BUD) was hurt by significant unrest in Brazil as the country has been rocked by scandal under President Michael Temer. This unfortunate turn of events has probably delayed the necessary economic and structural reforms in Brazil and investors are disappointed. BUD is exposed to Brazil through its 62% owned Ambev subsidiary. As well, beer is a defensive category and tied to economic growth which, in Brazil, is also a function of global demand for commodities.

Global Equity Pool Industry Split (Jun 30/2017)



Buys & Sells

During the quarter, three new names were added to the portfolio: Anheuser-Busch Inbev NV ADR, Heidelberg Cement AG and Schneider Electric SE. In addition to the new names, the fund added to its positions in Nike Inc., Echo Global Logistics Inc., Starbucks Corp. and Biogen Inc.

The fund reduced its exposure to Ryanair Holdings PLC ADR and Kering ADR. Five positions were eliminated: Tiffany & Co., Express Scripts Holding Co., Polaris Industries Inc., VF Corp. and Las Vegas Sands Inc.

As a result of these transactions, the cash position rose slightly to 2.8% from 1.0% at the end of the prior quarter.

New Buys:

Anheuser-Busch InBev NV ADR

Anheuser Busch (BUD), the world's largest brewer, is in the process of integrating a number of recent large acquisitions, most notably SAB Miller which was purchased recently. The company's earnings trajectory looks favourable as it exploits its massive market share in Brazil, Argentina and Canada through its Ambev subsidiary which it owns 62%. As well, wholly owned Budweiser owns dominant market shares in U.S.A. (48%), Belgium (57%) and Ukraine (36%). African growth is thought to be quite significant as SAB Miller benefits from BUD's innovative management practices under the 3G Group which has turned around Kraft/Heinz among others. BUD generates enormous and growing free cash flow which, in the short run, will be used for debt reduction which will ultimately lead to higher equity price realization.

Heidelberg Cement AG

The global cement and building materials industry has been very significantly consolidated with four huge global players dominating the industry. Heidelberg (HEI) is the second largest of the four with the most geographically diversified exposure to end markets. Management has been very acquisitive in the past but now has turned towards realizing synergies and maximizing free cash flow. In particular, the CEO is due to retire in a couple of years and an analysis of his compensation schema suggests that the company will be run for growth in free cash flow in the medium term. We see significant secular drivers of growth for cement companies globally due to infrastructure rebuilding as well as economic growth and perhaps rising sea levels. On an intrinsic value basis, we see HEI at around €100 vs. our purchase level of €83.

Schneider Electric SE

Schneider Electric is a global leader in electrical distribution, automation, and energy management products. The French domiciled company with operations in over 100 countries operates through four divisions (Buildings & Partner, Industry, Infrastructure and IT) focusing on four main end-markets (non-residential & residential buildings, industrial & machines, utilities & data centres). The company will benefit as its customers continue to strive for greater energy efficiency, increased levels of automation and productivity through the deployment of Schneider's software, processes and services. The company's competitive advantage comes from its customers' high switching cost after implementing Schneider's automation products, which are integrated into industrial production facilities. The stock is inexpensive at 15x earnings and pays a reasonable dividend yield of 3%.

Global Equity Pool Dynamics (Jun 30/2017)

Measure	Global Pool	MSCI World
FY1 P/E	17.1x	15.6x
Dividend Yield	1.6%	2.4%

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).*

Disclaimer

Galibier Capital Management Ltd. ("Galibier") is registered with the Ontario Securities Commission as a Portfolio Manager and Investment Fund Manager, 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 and with the Alberta Securities Commission 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.