Galibier Capital Management Ltd.

GALIBIER

Quarterly Investment Review

Q3 2016

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Results

"An investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative."

-Benjamin Graham

As we have said in many of these investment reviews, at Galibier we are focused on the long term and are willing to endure short-term performance fluctuations as long as there is the potential for good long-term absolute returns. With this in mind, we are happy to report that since we started Galibier 4 years ago, the Galibier Canadian Equity Pool has returned +12.7% per year and the Galibier U.S. Equity Pool has returned +15.9% per year. This long-term performance is consistent with the 12-15% hurdle rates employed by the Galibier valuation methodology.

Also over that time period, assets under management have grown from what was initially just the partner's assets to over $600MM at the end of Q3 2016. We are thankful to all of our clients who have joined us on this journey. As assets grow, we will continue to invest in additional investment professionals that will allow us to do an even better job in the future.

In the short term, Q3 2016 was a very strong quarter for the markets. Returns in Canada and the U.S. were strong with the S&P/TSX Index up +5.5% while in the U.S., the S&P500 (C$) returned +5.1%. Happily, we bested the indexes in both the Canadian and U.S. Pools.

The top performing sectors in Canada were Info Tech (+12.4%), Industrials (+10.8%) and Health Care (+9.0%). The worst performing sectors were Real Estate (-2.4%) and Materials (-1.1%).

In the U.S., the top performing sector was Info Tech (+14%) followed by Financials (+5.7%) and Industrials (+5.3%). The worst performing sectors were the interest rate sensitive Utilities (-4.9%) and Telecom (-4.6%) sectors.

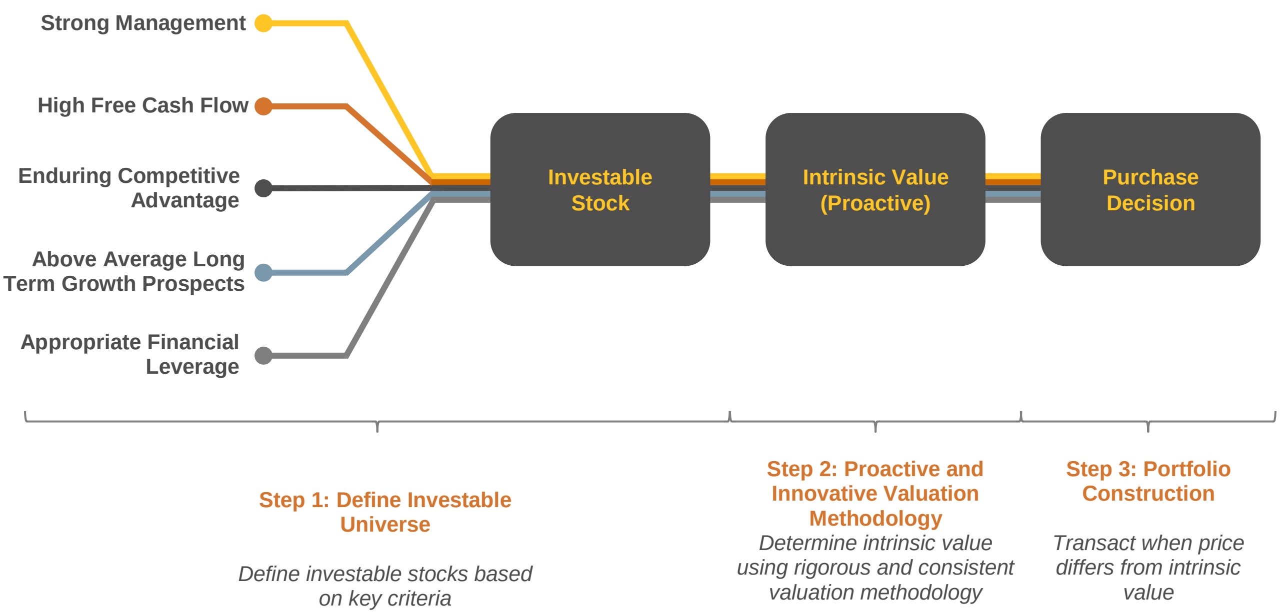
We want to thank our clients and friends for making this last four years utterly enjoyable. Here's to a prosperous future!!

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



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
- 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: Sept 30/2016	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Inception (%)
Galibier Canadian Equity Pool	**5.9**	**15.1**	**4.0**	**11.4**	**12.8**	**12.7**
S&P/TSX Composite (total return)	5.5	14.2	2.3	8.0	7.8	7.7

Note:
Return figures are gross of fees. Return figures are annualized for periods greater than 1 year. Inception date of the Canadian Pool is September 27, 2012.
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 Q3 2016, the S&P/TSX provided a total return of +5.5%. The Galibier Canadian Equity Pool's investment results were slightly better at +5.9%. For the one year period ending September 30/2016, Galibier's Canadian Equity Pool returned 15.1% versus the S&P/TSX return of 14.2%. Since its inception, the Canadian Pool has returned +12.7 per year versus the index return of +7.7%.

Canadian Equity Pool Top Holdings (Sept 30/2016)	Weight (%)
1. Cenovus Energy Inc.	6.8
2. Gildan Activewear Inc.	5.5
3. Industrial Alliance Ins. & Fin. Services	5.4
4. Enghouse Systems Ltd.	5.1
5. Cargojet Inc.	5.1
6. DH Corp	4.8
7. CIBC	4.7
8. Northland Power Inc.	4.6
9. Manulife Financial Corp.	4.6
10. DHX Media	4.5
Total	**51.1**

Best performers during the quarter[2]

CARGOJET UP +32%

Cargojet (CJT) had a strong quarter for a number of reasons. First, the company reported strong second quarter results. This was the first quarter since the company onboarded the Canada Post business and since they completed the optimization of their flying plan which resulted in margins well above expectations. Cargojet management also provided more information on their relationship with Amazon, which gives the business direct exposure to growth in e-commerce. In addition, they gave some insight into their long term charter expectations, which were well above our previous model. One of the opportunities to leverage the current business model is to operate the charter business outside of their core overnight flying. Finally, during the quarter we saw an inside board member buy a significant personal stake at market prices, further increasing alignment of management and shareholders.

BADGER DAYLIGHTING UP +26%

Badger Daylighting (BAD) had strong positive performance during the quarter. During the release of the second quarter results, management commented that they were starting to see signs of stabilization in Western Canada. In addition, they indicated that management changes in the Greater Toronto Area were driving improved results and that they expected to see growth in the second half of 2016. Paul Vanderberg, who took over the CEO role following the retirement of long serving Tor Wilson, recently completed a marketing trip to meet with investors. While these are still early days on the job, he assured investors that there would not be a significant change in strategy, which helped alleviate some investor concerns particularly around increasing financial leverage at the company.

INDUSTRIAL ALLIANCE UP +17%

Industrial Alliance's (IAG) highly regarded and hard driving management team produced another quarter of very solid results that were well ahead of market expectations. This performance, in light of the low P/E ratio that the company was trading at, led to a re-rating of the name by investors. Happily, future earnings per share growth is expected to be strong and there are signs of stabilization in the mutual fund business which has been a drag on earnings recently. Trading at 9.6x next year's earnings per share with a 2.7% yield, IAG remains a core holding for the Fund.

CGI GROUP UP +13%

During Q3, shares in CGI Group more than reversed their Q2 Brexit inspired decline. Shares responded positively to results that demonstrated a return to organic revenue growth. The U.K. business reported a 1.2x book-to-bill ratio, showing continued growth despite fears of disruption around the U.K. exiting the European Union. With increasing demand for its services and the potential for further acquisitions, the company is well positioned to attain its goal of doubling the size of the company in the next 5 to 7 years.

Worst performers during the quarter[2]

DH CORP DOWN -11%

DH shares detracted from performance in the quarter. While reported results were in line with expectations, management noted that we may see some softness in short term sales of its product Global Pay Plus, as banks deal with uncertainty over Brexit. Management also announced a realignment of their financial reporting, opting to change from geographic reporting to product line reporting. This change sparked concerns over the disclosure of information around the Canadian chequing business and theories that the change was being made to mask an increased decline in cheque printing revenues. Historically, the decline in cheque usage has been steady low single digits and we see no reason for that to change dramatically in the near term. While we believe that there is no underlying problem in the business at DH, we would like to see greater transparency from management going forward.

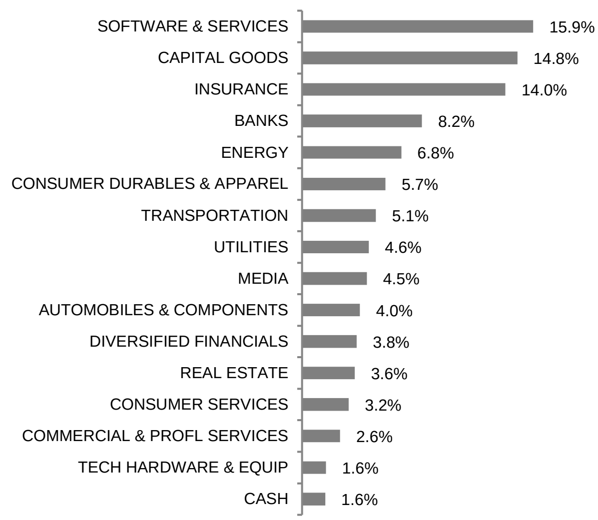
MACDONALD DETTWILER & ASSOCIATES DOWN -5%

The share price of MacDonald Dettwiler (MDA) was negatively impacted by the September 1st satellite launch failure for SpaceX. The launching of satellites is a consolidated industry with only a handful of players and this setback will cause delays for future launches, including several MDA built satellites. SpaceX has announced they expect to return to flight in November. Despite the SpaceX failure, MDA is well positioned to continue to grow. Recent changes in corporate structure are designed to increase its ability to bid and win classified contracts from the U.S. government which would increase its addressable market. This positive outlook is shared by the new CEO who recently purchased $1MM worth of shares.

COMPUTER MODELLING GROUP DOWN -4%

Computer Modelling Group (CMG) continues to be negatively impacted by the extended low price of crude oil, the major source of revenue for its client base. The company is well positioned to help its clients increase productivity and profits through greater use of CMG's software tools. A new product cycle should materialize once the spending environment improves for its clients. In the meantime, the company has $0.95 per share of net cash on its balance sheet to weather this period of low crude oil price and high levels of cash flow to support its 4% dividend yield.

Canadian Equity Pool Industry Split (Sept 30/2016)



Buys & Sells

Only one new name was added to the fund in the third quarter: Aritzia Inc.

In response to positive fund flows during the quarter, we added to several names including Ag Growth, Cargojet, Cenovus Energy, DH Corp, DHX Media, DREAM Global REIT, Enghouse Systems, Gildan Activewear, Gluskin Sheff, Industrial Alliance, Intact Financial, MacDonald Dettwiler, Manulife, Martinrea and MTY Food Group.

The fund reduced its exposure to Badger Daylighting, Boyd Group, CGI Group and Pure Technologies over the quarter.

As a result of these transactions, the cash position fell to 1.6% from 3.2% at the end of Q2.

New Buys:

ARITIZIA

Canadian fashion retailer, Aritzia Inc. debuted as a public company late in the third quarter. Galibier participated in the initial public offering as the Vancouver based retailer demonstrates our five investment criteria. The company has (1) a strong management team, (2) above average growth prospects through square footage growth, (3) appropriate financial leverage, (4) high free cash flow and (5) through its brands and banners, a sustainable competitive advantage. From a relatively small base of 74 stores today, the company is well positioned to more than double its sales through new store openings, increased square footage of existing stores and double digit growth of current sales. At the IPO price of $16 per share, the shares offered the potential for a reasonable return.

Canadian Equity Pool Dynamics (Sept 30/2016)

Measure	Canadian Pool	S&P/TSX Comp
FY1 P/E	16.9x	16.2x
Dividend Yield	2.8%	2.9%

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier U.S. Equity Pool Summary of Results

Period ending: Sept 30/2016	3 Months (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	Since Inception (%)
Galibier U.S. Equity Pool	**9.1**	**6.9**	**9.4**	**13.7**	**15.9**	**15.9**
S&P500 (CAD, total return)	5.1	13.2	16.2	20.7	21.6	21.4

Note:
Return figures are gross of fees. Return figures are annualized for periods greater than 1 year. Inception date of the U.S. Pool is September 27, 2012.
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 U.S. Equity Pool

The S&P500 returned +5.1% in Q3 2016 as measured in Canadian dollar terms. Galibier's investment results were significantly stronger at +9.1% for the quarter. For the year ended September 30/2016, the U.S. market was up +13.2% (S&P500 C$) while Galibier's investment result was +6.9%. Since inception, the U.S. market has returned +21.4% per year vs Galibier's return of +15.9%.

U.S. Equity Pool Top Holdings (Sept 30/2016)

	Weight (%)
1. Alphabet Inc.	5.4
2. Las Vegas Sands Inc.	5.4
3. Kering ADR	5.3
4. ECHO Global Logistics Inc.	5.0
5. Emerson Electric Co.	4.8
6. Thermo Fisher Scientific Inc.	4.6
7. Biogen Inc.	4.5
8. JP Morgan Chase & Co.	4.5
9. AIG	4.4
10. VF Corp.	4.3
Total	**48.2**

Best performers during the quarter[2]

Las Vegas Sands up +36%

Over the third quarter, Las Vegas Sands (LVS) continued its price recovery from the low of $35 due to evidence of slightly improving visitation trends in Macau and increasing volume of visits in the company's non-Macau operations in Las Vegas and Singapore. In addition to improving trends at existing properties, investors are anticipating the opening of LVS's newest Macau property, The Parisian, in late 2016. Despite the share price appreciation, the company still offers an attractive 4.9% dividend yield.

Biogen up +31%

Biogen (BIIB) shares bounced back from a weak second quarter, aided by positive data from one of its Alzheimer's pipeline drugs as the FDA granted it fast track status after showing strong efficacy in early stage results. Biogen's strong franchise in the treatment of multiple sclerosis continues to be exhibited in its latest quarterly results, with its mainstay oral product, Tecfidera, exhibiting +12% growth on what is trending to be a $4-5B/year drug (representing ~40% of company's revenues). Biogen's current valuation at 15x 2017E earnings indicates that the market is still undervaluing its strong pipeline and the development of this pipeline should provide solid share price returns in the future.

Kering up +25%

Gucci's refresh continues to gain traction with strong mid-single digit sales growth last quarter despite a tough luxury sector environment. As indicated in our initial write up, we established a position in the company co-incident with management's reinvigoration of Gucci through new products, a new creative director and streamlining capital allocation. Galibier met with the company's CFO last month and we believe there are still more catalysts to realize value for the company, including: (a) the continued turnaround of Puma, of which Kering is a 80%+ owner, (b) improved merchandising in Bottega Venetta (a previous growth contributor for Kering but currently being impacted by its 70% Asian exposure/clientele) and (c) operational leverage from the growth of Gucci and Saint Laurent, with its current momentum on sales. All in all, we are very bullish for Kering's prospects.

Tiffany up +22%

Tiffany (TIF) has taken some positive steps recently and the stock has recovered somewhat from the sell-off that began in 2015. On the merchandising front, it has been hard at work revitalizing its silver collection and improving its e-commerce business. In addition to operational improvements, other jewellers have struggled which has led to market share increases at TIF. Longer term, Asia and Europe remain very solid drivers of growth for Tiffany and investors have been noting these attractive fundamentals. Trading at 17.9x 2017E earnings per share with a solid 2.6% dividend yield and highly visible long-term earnings growth, we remain excited about Tiffany.

Worst performers during the quarter[2]

Cognizant Tech Solutions down -15%

An update by the company on the last day of the quarter caused a significant reaction in the share price of Cognizant. The update stated that Gordon Coburn, resigned from his position as President of Cognizant and was replaced by long time senior manager, Rajeev Mehta. The update also disclosed that the company was conducting an internal investigation into whether certain payments related to its Indian facilities may have violated the U.S. Foreign Corrupt Practices Act (FCPA). The company did not say if the two items were related. The market's knee jerk reaction led to a stock price decline of 13% on the last day of the quarter. We viewed this as an overreaction and took advantage of the volatility to add to our position.

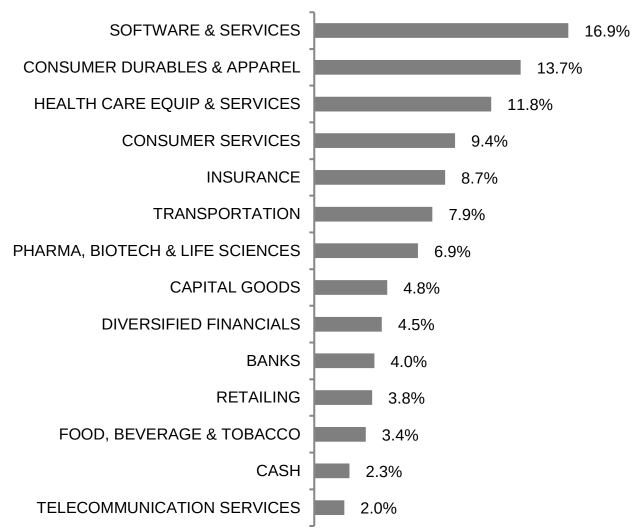
VF Corp down -7%

Apparel manufacturer VF Corp was unfortunately impacted by the bankruptcy of several retailers, most notably, Sports Authority, which led to liquidation of excess inventory in the quarter. Due to this disruption, sales in the company's flagship Outdoor and Action Sports segment (The North Face, Timberland) slowed to low single digits. This impacted the profitability of VF given this segment represents the majority of its revenues. Offsetting that was the continued strength of its international segment which returned 7% top line growth in the quarter. With a diversified presence in several channels such as online, direct to consumer, and limited exposure to department stores, VF should overcome this short-term fluctuation and continue to offer good value relative to growth prospects.

Express Scripts down -6%

As stated previously, Express Scripts (ESRX) is currently embroiled in a contract dispute with one of its biggest clients, Anthem. There were no material updates on the Anthem dispute this quarter, however, the company continues to be affected by political rhetoric as the U.S. Election nears. Adding fuel to the fire was another pharmaceutical company, Mylan, defending its Epipen price increase strategy and consequently dragging Express Scripts back into the picture. The fact remains that pharmacy benefit management companies actually help to keep costs lower for the public, with savings from their services passed on to end users. Thus, we expect the political rhetoric to die away when the election is over. For the quarter, the company actually offered a positive outlook for the remainder of the year in terms of both earnings and its view on the 2017 selling season. ESRX is trading at a compelling valuation.

U.S. Equity Pool Industry Split (Sept 30/2016)



Buys & Sells

During the quarter, one new name was added to the portfolio: Davita Inc.

In addition to the new buy of Davita, the fund added to its positions in Cognizant Tech Solutions, ECHO Global Logistics and MetLife.

The fund reduced its exposure to Biogen, Express Scripts, Las Vegas Sands, Polaris Industries, Priceline Group and Thermo Fisher Scientific.

As a result of these transactions, the cash position at quarter end was 2.3%, relatively unchanged from the 2.1% at the end of June 2016.

New Buys:

DAVITA

Davita is one of the largest providers of dialysis services for patients with end stage renal disease (ESRD). ESRD patients have relatively limited options for cure and the next best alternative is to go through a dialysis regimen to cleanse the body of toxins built up as a result of the condition. Davita, along with another competitor, equally service more than 70% of the U.S. patient population pool with over 2,300 clinics spread mainly across the continental United States. The main growth drivers include an aging population and an increasing prevalence of obesity, diabetes and kidney related diseases. These facts, coupled with operating leverage from better utilization of clinics should provide double digit earnings growth over the next 3-5 years. Management has an established record of growing the company and the CEO has been at the helm for over 15 years.

U.S. Equity Pool Dynamics (Sept 30/2016)		
Measure	U.S. Pool	S&P500
FY1 P/E	16.2x	16.4x
Dividend Yield	1.8%	2.2%

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 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 U.S. 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.

The Funds' returns are not guaranteed, the values change frequently and past performance may not be repeated.

All returns of the Galibier Canadian Equity Pool and the Galibier U.S. Equity Pool prior to June 6, 2013 and 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. Returns are presented only for periods during which Galibier has been registered as a portfolio manager. The investment strategies of the Funds have not changed since the Funds' inception. 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.