Galibier Capital Management Ltd.

Quarterly Investment Review

Q4 2020

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

"In the short run the market is a voting machine, but in the long run it is a weighing machine." - Benjamin Graham

Hip Hip Hooray! 2020 is over. Now what?

Given rising COVID-19 cases, the emergence of a mutant strain with an uncertain potential impact, economic lockdowns in large portions of the world and a bizarre, contested U.S. election, the performance of the markets in the fourth quarter was surprising to say the least. Both the Canadian and Global markets were up quite strongly at 9.0% and 8.7%, respectively, for the quarter.

So what accounts for this strong market performance? We chalk it up to a number of factors.

TINA: A clever acronym for 'There Is No Alternative' (to equites). With central bankers/policy makers having driven interest rates down to near zero in most developed markets, bonds offer almost no yield to maturity at their current price. Thus, investors are bidding up equity valuations and many other asset classes in the hopes of securing an adequate return.

FOMO: The 'Fear of Missing Out' which is a phenomenon readily observable in Tesla (+700% in 2020 - to a market cap equal to basically the rest of the global auto industry combined) or Bitcoin which is up from $10,600 CAD at the beginning of 2020 to the current quote of $52,000 CAD today.

Historically low rates: Rates have rebounded somewhat in the last few weeks, but over the year the yield on the benchmark U.S. 10-year treasury bill has fallen from 1.9% on December 31, 2019 to 0.9% on December 31, 2020. At one point in early August the yield was under 0.6%.

Unprecedented Monetary and Fiscal Stimulus: Policy makers worldwide have pursued quantitative easing and money printing at a rate never seen before. As Charlie Munger-Berkshire Hathaway's vice chairman recently said "We are in uncharted waters".

Vaccine roll out: The vaccine has led to a shift of investor focus from the short-term to the medium/longer term with some investors becoming hopeful of a return to normalcy in the 2022-23 period. However, for a number of industries and services, the "new normal" may well be below previous levels of commerce.

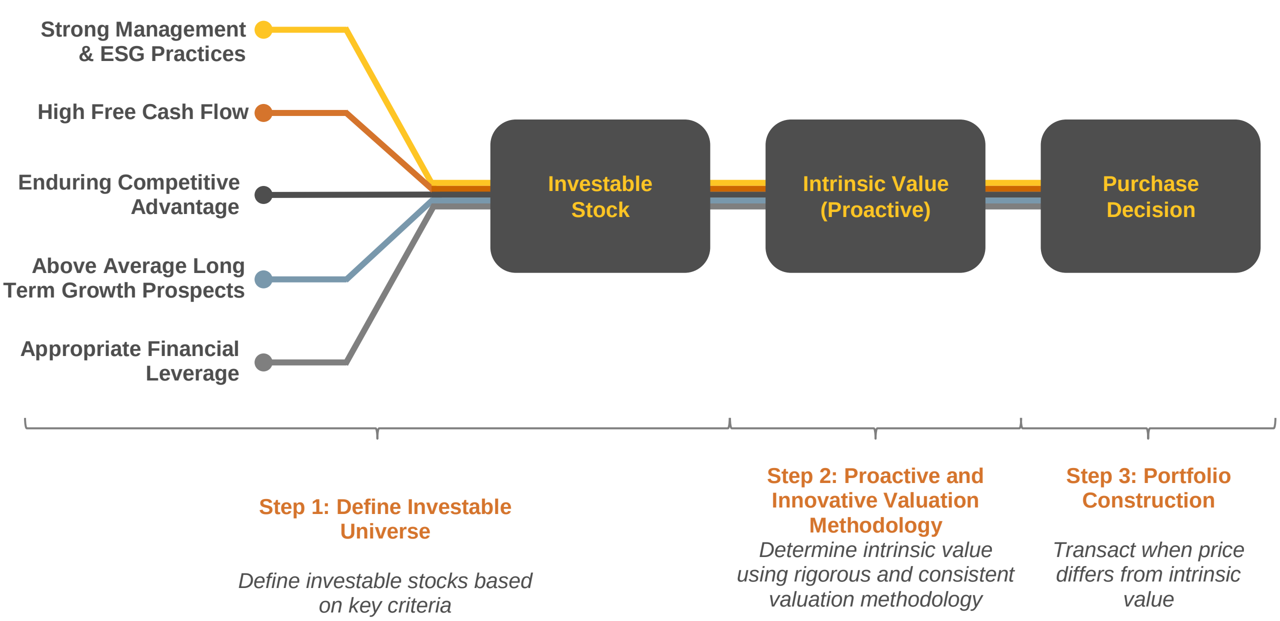
Galibier's view is that the ship will begin to right itself in the next year or so. However, as in physics, the actions taken by policy makers will eventually result in a reaction. Government debt is at very high levels as is debt to GDP. Money supply is also at unprecedented levels. This has led to strong price inflation in financial assets (stocks and bonds), stores of value (gold, art), some commodities and some real assets. However, speculation in all of these asset classes, in particular irrationally valued equities and other financial instruments, may end very badly for some. If consumption starts to tick up as a result of economic growth or government spending then inflation becomes a risk which will ultimately impact interest rates and equity valuations. Given this we are being extremely careful to only own attractively valued and competitively advantaged companies in the Galibier Portfolios.

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: Dec 31/2020	Since Sep27/12(%)	8 Year (%)	7 Year (%)	6 Year (%)	5 Year (%)	4 Year (%)	3 Year (%)	2 Year (%)	1 Year (%)	Quarter-to-date (%)
Galibier Canadian Equity Pool	**10.9**	**11.2**	**8.7**	**7.6**	**11.0**	**8.6**	**6.9**	**16.9**	**6.5**	**13.6**
S&P/TSX Composite (total return)	7.5	7.5	6.8	6.2	9.3	6.6	5.7	13.9	5.6	9.0

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 2020, the Galibier Canadian Equity Pool generated a return of +13.6%. Since inception on September 27, 2012, the Canadian Pool's annualized return has been +10.9% per year which was ahead of the +7.5% annual return of the index. At the end of the quarter, the active share[3] of the portfolio was 81%.

Canadian Equity Pool Top Holdings (Dec 31/2020)

		Weight (%)
1.	Northland Power Inc.	6.2
2.	Nutrien Ltd.	5.1
3.	Manulife Financial Corp.	5.0
4.	Cargojet Inc.	4.8
5.	CCL Industries Inc.	4.7
6.	Kirkland Lake Gold Ltd.	4.3
7.	Canadian Imperial Bank of Commerce	4.3
8.	Parkland Corp.	4.3
9.	Spin Master Corp.	4.2
10.	WSP Global Inc.	4.2
Total		**47.1**

Best performers during the quarter[2]

INTERTAPE POLYMER UP +64%

Shares of Intertape reacted well to significant improvements in its business during the quarter. In particular, past investments to lower manufacturing costs and increase capacity in higher margin products has helped to increase profitability. Additionally, the company benefited from its exposure to higher growth segments such as e-commerce where it provides tapes and void fill products. The company's positive fundamentals and higher earnings allowed it to increase the dividend during the quarter. With the stock up 60%+ (and 45% in 2020) and closer to Intrinsic Value, we trimmed our holdings of Intertape during the quarter.

NFI GROUP UP +47%

The rally in NFI's stock price during the quarter was driven by the prospect of additional stimulus from the United States federal government, with some dollars directed towards transit agencies, as well as emphasis on environmentally friendly infrastructure like electric buses. NFI has been hard hit by the pandemic, but the potential for incremental government support for struggling local transit agencies will give more confidence in placing orders for new buses. Management also laid out more detail in their NFI Forward cost cutting plan, which will have a material impact to profitability over the next few years. While this cost cutting has not been fully accepted by investors quite yet, more detail gives management more credibility in achieving these targets.

WSP GLOBAL UP +38%

WSP Global continued to execute on its long term strategy to consolidate the global engineering design industry with its offer to buy Ontario based Golder. Golder is a consultancy and design company focused on the environmental segment of engineering. The accretive acquisition will create one of the leading global environmental consulting firms that will benefit from an increased emphasis on ESG (Environmental, Social and Governance) factors by its corporate and public clients. The still fragmented industry allows WSP to benefit from further acquisitions as well as increased demand for its services as governments worldwide invest in much needed infrastructure.

GILDAN ACTIVEWEAR UP +36%

Shares of Gildan performed well in the quarter as the company continues to recover from the impact of the COVID-19 pandemic and retail shutdown in North America. The company should be cash flow positive in 2020, despite shutting down its manufacturing facilities earlier this year. 2021 will be another recovery year and revenue should be back to 2019 levels by 2022. With $2.00 per share in long term earnings power, shares of Gildan remain attractively valued.

WEST FRASER UP +33%

West Fraser has benefitted again from quite strong lumber prices with benchmark prices bouncing around the $650 USD level for much of the quarter. This lumber price is significantly higher than the industry's average production cost which means that lumber producers will increase lumber production volumes which is likely to temper further lumber price increases. With this in mind, and given the big run up in the stock price, we actively reduced our position in West Fraser over the quarter.

Worst performers during the quarter[2]

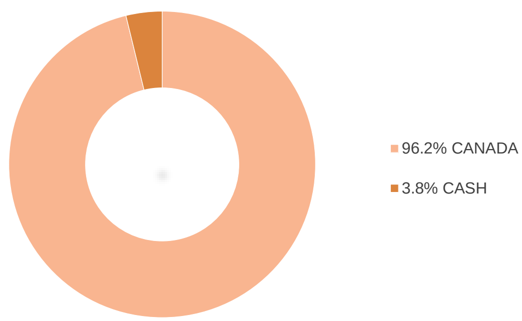
KIRKLAND LAKE GOLD DOWN -19%

After rising from the mid $1500's in January 2020 to just over $2,000/oz in late July, gold drifted for the rest of the year finishing at just under $1900/oz. Gold's attraction as a store of value for investors is a function of inflationary expectations, interest rates and investor sentiment. We expect all of these factors to keep gold prices relatively strong in the medium term. As well, Kirkland Lake is attractively valued - trading at near its Net Asset Value using a price of $1800/oz and pays a solid dividend while offering capital gain potential.

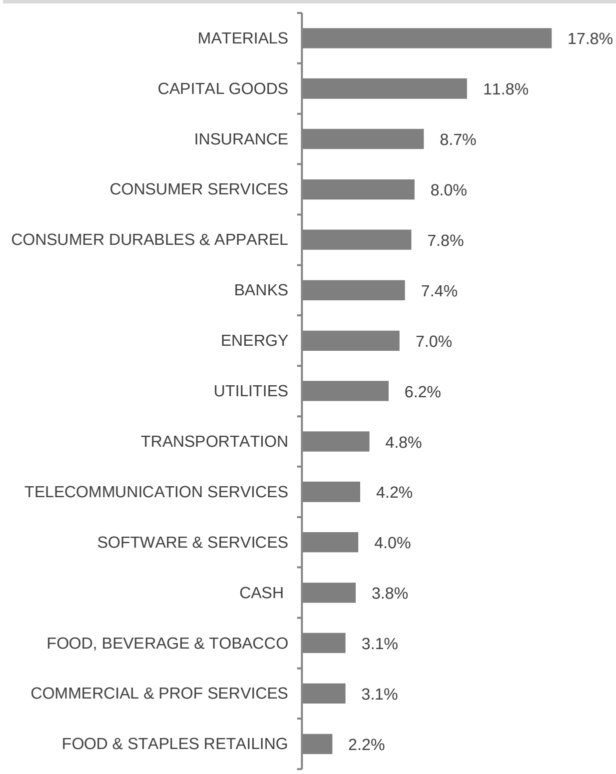
WASTE CONNECTIONS DOWN -6%

Shares of Waste Connections were down slightly during the quarter. This was less a reflection of the fundamentals of the company and more a result of rotation by some investors out of steady, stable businesses into beaten up businesses as part of the re-opening trade. Waste Connections continues to execute on its acquisition strategy and is well positioned heading into 2021 with pricing increases and contributions from completed transactions set to drive mid-single digit revenue growth.

Canadian Equity Pool Geographic Split (Dec 31/2020)



Canadian Equity Pool Industry Split (Dec 31/2020)



Buys & Sells

During the quarter, we added one new name to the portfolio: Empire Company. In addition, we added to numerous positions including Kirkland Lake Gold, Ag Growth, Waste Connections, Bank of Nova Scotia and CGI among others.

Excluding flow driven trades, we reduced our positions in West Fraser, Intertape Polymer Group, WSP Global and Cargojet. One name was eliminated: Canadian Tire.

As a result of these transactions, the cash position increased to 3.8% from 3.0% at the end of the prior quarter.

New Buys:

EMPIRE COMPANY LTD.

Grocery stores do not typically fit the Galibier criteria as the sector's growth is driven by population growth plus inflation. Empire (owner of banners such as Sobeys, FreshCo and Farm Boy) is different than its peers. The company is in the second phase of a growth and margin improvement program initiated by Michael Medline (ex. Canadian Tire), who joined as CEO in 2017. The first phase of the plan was undoing the damage the previous management team did to margins through a poor integration of the Safeway acquisition. The current initiative is more geared towards growth from re-modelling/re-branding some of its stores to fit the local community, improving its private label products and continuing the roll out of its best-in-class e-commerce platform - Voilà. We expect over the longer term that Voilà will be the only margin accretive grocery e-commerce platform in Canada. The plan includes continuing to close its margin gap to peers by leveraging its national footprint from the Safeway acquisition. Over the next 5 years we expect Empire to deliver double digit earnings per share growth before buybacks while generating $5 of cash per share and only trades at 14x P/E on this year's earnings.

Canadian Equity Pool Dynamics (Dec 31/2020)

Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	19.4x	17.0x
Dividend Yield	2.4%	3.0%
Number of Names	25	222
Active Share[3]	81%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Global Equity Pool Summary of Results					
Period ending: Dec 31/2020	Since May12/17 (%)	3 year (%)	2 year (%)	1 year (%)	Quarter-to-date (%)
Galibier Global Equity Pool	**9.3**	**10.2**	**15.3**	**4.8**	**10.6**
MSCI World (CAD, total return)	9.9	11.2	17.5	13.9	8.7

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 2020, the Galibier Global Equity Pool generated a return of +10.6%. Since inception on May 12, 2017, the Global Pool's annualized return has been +9.3% per year. At the end of the quarter, the active share[3] of the portfolio was 94%.

Global Equity Pool Top Holdings (Dec 31/2020)		
		Weight (%)
1.	Schneider Electric SE	4.8
2.	Alphabet Inc.	4.7
3.	Medtronic PLC	4.7
4.	Berkshire Hathaway Inc.	4.6
5.	Oshkosh Corp.	4.5
6.	Heidelberg Cement AG	4.5
7.	Cognizant Tech Solutions Corp.	4.3
8.	AstraZeneca PLC ADR	4.2
9.	Cisco Systems Inc.	4.2
10.	GlaxoSmithKline PLC ADR	4.1
Total		**44.6**

Best performers during the quarter[2]

ING Groep up +27%

It is indeed rare in normal times to observe a 27% quarterly return in a very large financial institution but these are hardly normal times. ING sold off sharply earlier in the year as European bank regulators placed a moratorium on dividends by Euro financial institutions. Interest rates also plummeted worldwide. Banks globally faced much smaller net interest margins which impacted their earnings power. Later in the year, rates increased somewhat and the yield curve steepened which is particularly favorable for ING as it is quite levered to interest income margins. European regulators continue to limit capital distributions but ING will likely pay a smallish dividend in the first half of 2021. All of these developments were met favorably by investors.

JPMorgan Chase up +27%

Similar to ING, JPMorgan (JPM), one of the world's largest financial services companies, had terrific quarterly stock price performance in the fourth quarter. JPMorgan also faced controls on its capital returns to shareholders as it is regulated by the Federal Reserve. Happily, late in the fourth quarter and after a second round of Federal Reserve stress tests, JPM was given the go ahead to buy back stock. This led to a long awaited announcement of a material $30B (~7.5% of market cap) buyback.

Anheuser-Busch up +24%

Shares of Anheuser-Busch (ABI) outperformed on the back of positive vaccine-related news in early November as investors cheered for an end to global lockdowns and a return to normalcy with entertainment and restaurant attendance resuming. ABI has been a tale of two stories in this COVID-19 environment, with consumers shifting their wallet spend towards "tried and true domestic brands" they know and which bring comfort during lockdown as opposed to local and craft beers. ABI has benefitted tremendously from this trend and still stands to benefit from an eventual reopening of the economy and reduction of social distancing measures. For those reasons, we continue to see ABI as a defensive core holding for us as we head into 2021

TRUIST FINANCIAL UP +21%

Another strong performance in the financial services sector came from Truist Financial. In addition to the favorable factors outline above in our ING and JPM notes, Truist is also benefitting from the potential for a very significant $1.6B (roughly $0.85 in incremental earnings per share) cost reduction and synergy realization associated with the merger of BB&T with Suntrust Bank to form Truist. The combined entity has become a true super regional bank with significant scale advantages.

Worst performers during the quarter[2]

ASTRAZENECA DOWN -13%

Two things have driven down AstraZeneca since the middle of the summer. The first was its mixed phase 3 vaccine data. Given that Astra's growth is coming from oncology medicines and not the vaccine which has always been considered a not-for-profit venture, we used the vaccine results as a reason to halve the position in the middle of the summer on vaccine optimism. The second is the $39B acquisition of Alexion. We like this deal as Astra is coming from a position of strength, it is extremely accretive, it does not dilute its best-in-class double digit revenue growth and it should improve its pipeline into the next decade. We added to the position at the end of the quarter and believe the market will come around to this deal in the New Year.

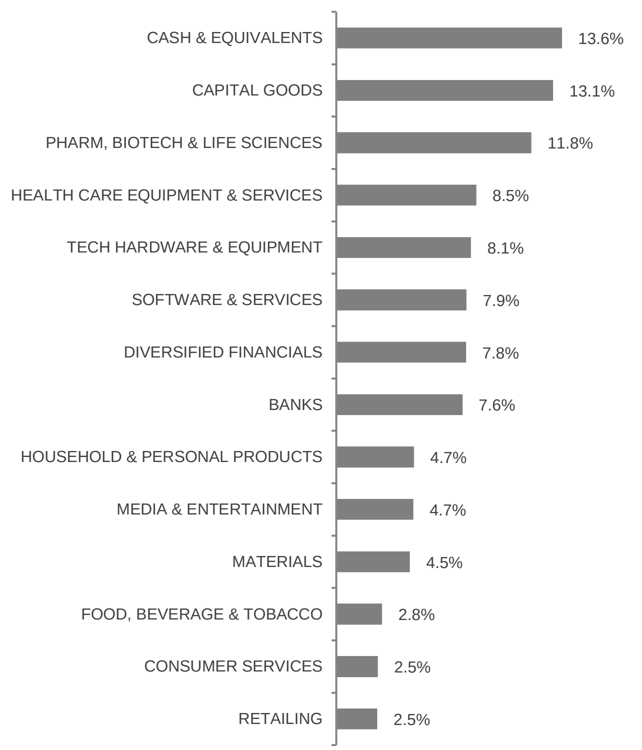
UNILEVER DOWN -6%

Consumer staples in general did not perform well with the reopening trade in the quarter as its businesses were relatively unaffected during the pandemic. We continue to like Unilever as 60% of its revenue comes from emerging markets and growth in these markets will continue to be higher than that of the developed world. Unilever continues to trade below 20x P/E.

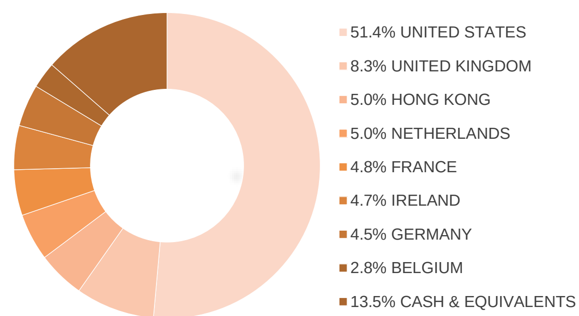
GLAXOSMITHKLINE DOWN -5%

There were no major developments at GlaxoSmithKline (GSK) in the quarter. We believe 2021 should be a strong year as the market starts to value GSK with a sum-of-the-parts valuation as the consumer health spin off will be in the summer of 2022. The consumer health business is nearly half the value of GSK's current share price and a third of our intrinsic value. Over the next year the pipeline should strengthen from the new management team and we get a 5.5% yield while we wait for these catalysts.

Global Equity Pool Industry Split (Dec 31/2020)



Global Equity Pool Geographic Split (Dec 31/2020)



Buys & Sells

During the quarter, we added three new names to the portfolio: Alibaba Group Holdings ADR, Becton Dickinson and Intel. In addition, we added to GlaxoSmithKline and AstraZeneca.

We reduced our positions in numerous names including ING Groep, Colgate-Palmolive, Alphabet, JPMorgan Chase and Oshkosh among others. Five names were eliminated: Walt Disney, Visa, Ross Stores, LVMH Moet Hennessy and AbbVie.

As a result of these transactions, the cash and equivalents position increased to 13.5% from 6.1% at the end of the prior quarter.

New Buys:

Alibaba Group Holdings ADR

Alibaba is the leader in e-commerce in China with more than one trillion USD worth of goods passing through its platform in the past year. To size this number, it is 62% of e-commerce consumption in China and 18% of total Chinese consumption. E-commerce growth should be higher than the near double digit Chinese consumption growth. Additionally, Alibaba currently has a 4% take rate which is moving higher but remains below half the level of Amazon (the take rate is the percentage of fees and commissions that the company collects on sales over its platform by third-party sellers). Overall, we should see mid-teens revenue growth with earnings per share growing even faster. We initiated a position in Alibaba at the end of the quarter while the government was targeting Jack Ma with Alibaba's subsidiary Ant Financial seeing the most risk. We have taken down our value for Ant to $13 a share (from $39) and handicapped our valuation on the core e-commerce valuation. Even with this conservative valuation framework we see an annualized mid-20s percent return over the next five years.

Becton Dickinson and Co.

Becton is a leader in 90% of its sales with the majority being in the medical supplies industry. Throughout the past few decades Becton has done an excellent job of innovating its products to provide cost saving to its customers allowing the company to have pricing power. At the same time Becton has focused on its manufacturing costs so that they are the lowest cost manufacturer in the industry. In the past five years it made two large acquisitions of U.S. centric companies and put them on the global Becton platform. This led to growing pains with two years of constant earnings disappointments. Tom Polen became CEO January 2020 and has since changed ten senior executives and reset earnings expectations for 2021. Over the next few years we believe that Becton will consistently beat and raise its earnings leading to growth above historical as a few of the past headwinds become tailwinds. Overall, it is a very high-quality company trading at a discount to peers.

Intel Corp.

Intel is the dominant provider of x86 based semiconductors with more than 75% market share. While this scale is a significant competitive advantage they have experienced a difficult 3 year period. A miss-step in its manufacturing process has allowed its main competitor to gain some market share. This ebb and flow of share is not unusual through history but this particular period has been prolonged. New technology that will allow Intel to outsource part of its manufacturing as well as a proprietary transistor design will see Intel's products become more competitive in 2021. New management has also made some favourable capital allocation decisions such as selling the memory business to allow Intel to focus on its core x86 market. With an over capitalized balance sheet, improving fundamentals and trading below Galibier's view of Intrinsic Value, a position was initiated in the portfolio.

Global Equity Pool Dynamics (Dec 31/2020)

Measure	Global Pool	MSCI World
Fwd 12M P/E	18.5x	19.8x
Dividend Yield	1.5%	1.8%
Number of Names	24	1,585
Active Share[3]	94%	-

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.*