Galibier Opportunities Fund – Quarterly Investment Review

Q2 2016

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Results

"Shaken, not stirred" – James Bond

At Galibier, we are focused on the long term and are willing to have short-term fluctuations as long as there is the potential for good long-term absolute returns. With a concentrated portfolio of 20 stocks, we expect volatility versus our benchmark and we are willing to sustain this short-term pain against our long-term objectives.

Adhering to our philosophy of owning companies with enduring competitive advantages and solid long-term growth rates means we generally do not have a lot of exposure to the volatile cyclical industries such as Energy and Materials which happened to be strong in the quarter.

The top performing sector in Canada was Materials, which includes base metals and gold (+27%), followed by Energy (+10%) and Utilities (+7%). The worst performing sector, Health Care, was down -15%. As prices increased during the quarter, we significantly reduced our exposure to energy and eliminated our one gold position.

In the U.S., the top performing sector was Energy (+12%) followed by Telecom and Utilities. The worst performing sector was Information Technology (down almost -3%). The Brexit surprise, coupled with diminished likelihood of interest rate increases, affected our interest sensitive financial names and our healthcare names were hurt by political jawboning about price controls on pharmaceuticals.

During Q2 2016, several new institutional clients joined the Galibier family. This brings our AUM run rate to approaching $500MM. Our existing and prospective clients should take comfort in the fact that Galibier will be adding to its investment team as assets grow.

Summary of Results

Period ending: June 30, 2016	3 Months (%)	1 Year (%)	Inception (%)
Galibier Opportunities Fund	**0.8**	**-9.3**	**-2.5**
S&P/TSX Composite (total return)	5.1	-0.2	0.8

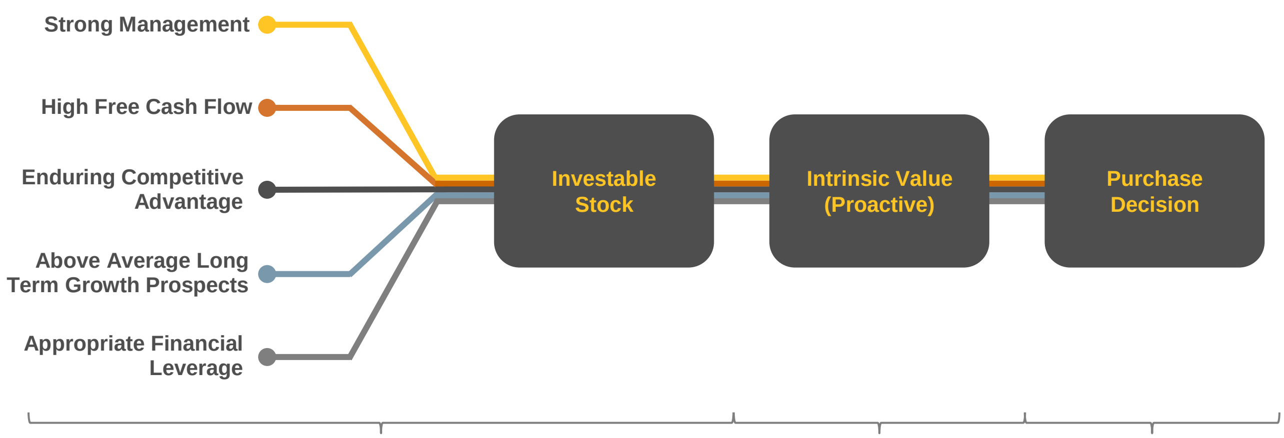
Note:
Return figures are gross of fees and fund expenses.
Return figures are annualized for periods greater than 1 year.
Inception date of the Galibier Opportunities Fund is October 31, 2014.
See Note 1 and Disclaimer at the end of this document for information about the returns and benchmarks.
Source: Galibier Capital Management Ltd, Bloomberg.

Galibier 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
- 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 Opportunities Fund Commentary

In Q2 2016, the S&P/TSX provided a total return of +5.1%. The Galibier Opportunities Fund's investment results were +0.8%. Since its inception on October 31, 2014 the fund has provided a total return of -2.5% versus the S&P/TSX index which returned +0.8%.

Galibier Opportunities Fund Top Holdings (June 30/2016)	
	Weight (%)
1. Biogen Inc.	7.3
2. Cargojet Inc.	6.2
3. DHX Media	6.1
4. Polaris Industries Inc.	6.0
5. Echo Global Logistics Inc.	5.6
6. Ag Growth International Inc.	5.5
7. Gildan Activewear Inc.	5.5
8. Thermo Fisher Scientific Inc.	5.4
9. Badger Daylighting Ltd.	5.3
10. Las Vegas Sands Inc.	5.2
Total	**58.1**

Best Performers[2]

Cargojet Up +29%

Cargojet was once again a solid contributor to performance in the quarter following the announcement of its cargo agreement with Air Canada. The relationship has started with three flights a week to Latin America and is expected to expand to European service later this year. We are also optimistic about the new relationship that has recently been disclosed with Amazon, which offers significant growth opportunity as well. In addition to operating its core business with increasing efficiency, we are excited about the increasing charter business and potential growth in the Air Canada relationship.

MTY Food Group up +27%

MTY had strong performance in the quarter following its announcement of the acquisition of U.S. based Kahala Brands. We had long believed that management would make a sizeable acquisition which would allow significant leverage of the administrative network within MTY, as well as allow for geographic expansion of existing brands. The acquisition of Kahala almost doubles the size of the company and is significantly accretive as MTY could use their balance sheet to finance the deal. We are impressed with management's ability to execute on their strategy, leveraging their balance sheet to add value for MTY shareholders.

Ag Growth International up +20%

Ag Growth was a strong performer in the quarter as sentiment started to improve and all signs are pointing towards a strong crop for 2016. The shares were driven down early in the year by their removal from the Dow Jones Canadian Dividend Index which generated a net sell of 1.3 million shares. Part of our long term thesis for Ag Growth is the potential for international expansion in Brazil and we were pleased to see the announcement of their acquisition of Extringer, made late in Q1. This acquisition marks a significant step forward for their growth in Latin America. We continue to believe management will be able to surface value from the integration of Westeel's product portfolio, bolt on additional products similar to their recent fertilizer acquisitions and grow the business internationally.

Worst Performers[2]

Martinrea Down -22%

Investor concerns regarding slowing global auto sales pressured shares of Martinrea (MRE) this quarter which now trades at a modest earnings multiple of 5.1x . Management continues to focus on winning new programs, executing on ramping up recently won business and increasing utilization rates of its global manufacturing network. All of which should increase profit margins toward their goal of 6%. The resulting cash generation from higher profits will allow management to reach their second goal of reducing debt to 1.5x EBITDA by year end 2017. All of this highlights that there are many 'self help' aspects to the MRE investment thesis, independent of gyrations in the global auto production cycle. As one of the few remaining class 1 suppliers to the auto OEMs, MRE is well positioned to increase revenue and is a key beneficiary of the trend towards lighter, more fuel efficient cars.

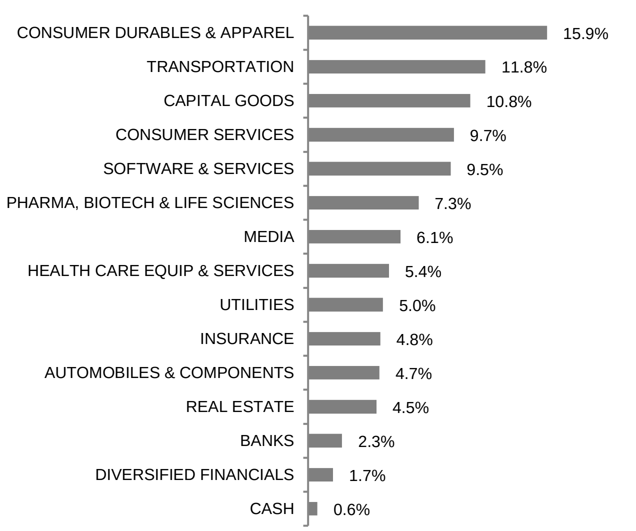
Echo Global Logistics Down -17 %

While ECHO had strong operational performance during the quarter, its shares were weak as a result of sentiment within the trucking and brokerage industry. Despite weak industry conditions, ECHO continues to show solid organic growth, outperforming its peers. ECHO is well on their way to completing the integration of their 2015 acquisition of Command Transportation, which we believe will be a positive catalyst. We remain optimistic that management will meet their long term revenue and EBITDA projections and believe the shares are attractively valued at current prices.

POLARIS DOWN -16 %

Polaris saw negative share performance in the quarter related to concerns about demand in the “off road” recreational vehicle market. Polaris also announced a voluntary recall of certain models, which shifted dealer focus to repairs instead of selling new equipment. While we are seeing a weak pocket of off road demand right now, we are encouraged by growth in other areas of the company, specifically motorcycles. We also like the large share buyback announcement that management has recently made, and we expect them to add value through acquisitions as they drive towards their 2020 revenue and profitability targets.

Industry Split (June 30/2016)



Buys & Sells

During Q2 2016, three new names were added to the fund: Badger Daylighting, Enghouse Systems and Gluskin Sheff.

In addition to the three new names, the fund increased its exposure to numerous names due to fund flows.

Several positions were eliminated during the quarter including AutoCanada, MTY Food Group, and Paramount Resources.

As a result of these transactions, the cash position in the fund decreased to 0.6% at June 30/2016 from the 8.8% position at March 31/2016.

New Buys:

BADGER DAYLIGHTING

We initiated a position in the shares of Badger Daylighting during the quarter. While this is a stock we have followed for years, the valuation in Q2 2016 finally presented us with a price at which we were comfortable buying shares. Badger is the largest player in the “daylighting” market, which is a safer and more efficient way for construction companies to dig holes in the ground. While there has been weakness in its energy business, Badger's trucks have been relocated to new markets where the focus is on infrastructure investment. We are very excited about the long-term growth prospects for Badger as “daylighting” becomes a more widely used technology and as it capitalizes on its North American network of offices and trucks.

ENGHOUSE

Enghouse Systems (ESL) is an Ontario-based provider of enterprise software with two primary business segments: the Interactive Management Group and the Asset Management Group. The Interactive Management Group provides interaction tools for its call centre customers that is deployed on site, hosted, or delivered through a hybrid model. The Asset Management Group provides software to the transportation, telecommunications and utilities sectors. ESL’s software tools are entrenched and benefit from high switching costs and recurring revenue. The company’s key competitive advantage lies in its ability to source small acquisitions at attractive prices and allocate capital to enhance shareholder value. ESL’s growth prospects remain strong and we expect the company to continue to grow through acquisitions given the fragmented nature of its industry. The stock offers compelling value after selling off since the end of 2015.

GLUSKIN SHEFF + ASSOCIATES

Gluskin Sheff (GS) is a Canadian based wealth management firm focused on the high net worth (HNW) private client market with $8.2bn in assets under management. GS generates revenues from base management fees and performance fees, which are earned when annual portfolio returns exceed pre-set hurdle rates (between 0-15%). Its unique product offering for the HNW market coupled with its high-end brand and industry leading margins offer a compelling investment opportunity. Its share price has recently been under pressure as the company deals with ongoing issues with the founding partners and succession.

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. For the Galibier Opportunities Fund, Galibier utilizes the S&P/TSX Composite index for this purpose as it is a broad market index, one of the most well-known indices and is most likely to resemble the investment strategy of the fund. It is important to note that benchmarks do not include operating charges and transaction charges as well as other expenses related to the account's investments, which may affect its performance.*

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

Disclaimer