Galibier Opportunities Fund
Quarterly Investment Review

Q4 2018

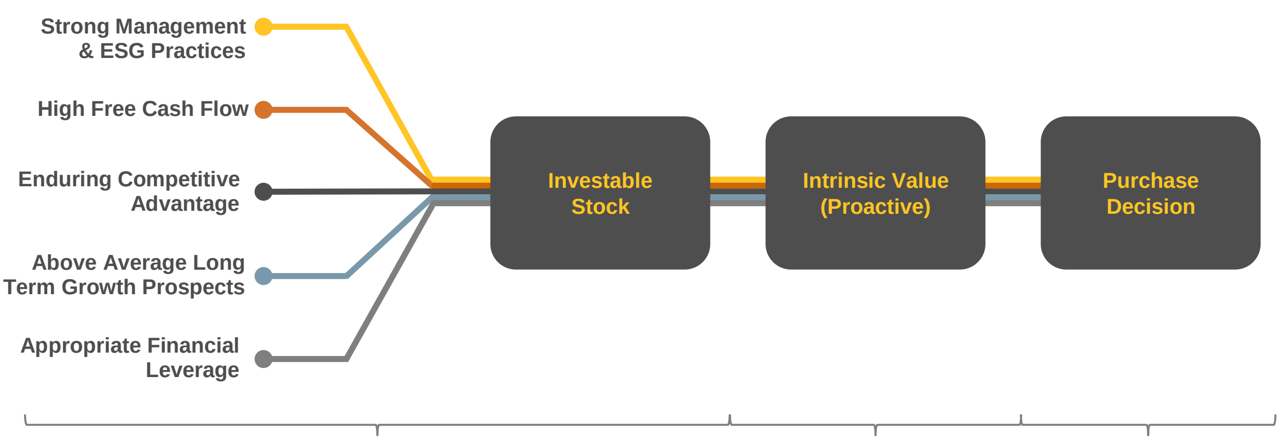
Joseph Sirdevan, CFA
Graham Anderson, CFA, CA
Scott Connell, CFA
Lauree Wheatley, CFA
Andrew Wallman, CFA
Kelvin Wong, CFA
Jonathan Ruel, CFA
Investors

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….

Summary of Results

Period ending: December 31/2018	3 months (%)	1 year (%)	2 year (%)	3 year (%)	4 year (%)	Since Inception (%)
Galibier Opportunities Fund	**-12.4**	**-1.6**	**7.3**	**12.3**	**6.1**	**6.3**
S&P/TSX Composite (total return)	-10.1	-8.9	-0.3	6.4	2.5	2.5

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 October 31, 2014.
v. Returns are presented only for periods during which Galibier has been registered as a portfolio manager.
vi. The investment objectives of the Galibier Opportunities Fund have not changed since the Funds' inception.
vii. All returns 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. 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.

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 Opportunities Fund

Since its inception on October 31, 2014, the fund has provided an annual return of +6.3% versus the S&P/TSX index which returned +2.5%. Over the year, although the fund performed relatively well versus its benchmark, it generated a negative absolute return. A performance fee is only incurred when the fund beats both its benchmark and generates a positive rate of return.

Opportunities Fund Largest Positions (Dec 31/2018)

	Long positions	Weight (%)
1.	WABCO Holdings Inc.	7.1
2.	Premium Brands Holdings Corp.	7.0
3.	Metro Inc.	6.5
4.	Park Lawn Corp.	5.8
5.	LVMH Moet Hennessy Louis Vuitton SE	5.7
6.	Oshkosh Corp.	5.1
7.	NFI Group Inc.	5.0
8.	Spin Master Corp.	4.7
9.	Ag Growth International Inc.	4.7
10.	Walgreens Boots Alliance Inc.	4.6
Total		**56.2**

Best performers during the quarter[2]

METRO UP +18%

Shares of Metro (MRU) performed well during the quarter as recent results demonstrate the company was able to successfully pass along price increases to customers across its network of over 1,200 locations and combat recent cost inflation. Additionally, the integration of recently acquired Jean Coutu is progressing well and initial synergy estimates are likely to be low. The higher cash flow generation has allowed the company to reduce debt ahead of schedule and resume share buybacks.

TIFFANY (SHORT) +11%

During Q2 2018, the fund took advantage of an extraordinary upward move in Tiffany's share price to short the stock. The view was that at almost 35x price to earnings, the stock had significant downside risk and Galibier used its valuation expertise to identify this opportunity.

WALGREENS BOOTS ALLIANCE STAYS FLAT 0%

Throughout the quarter, we progressively lowered our position in Walgreens as the shares held in nicely during a volatile quarter and have performed well year to date. Earlier in summer 2018, when the shares traded at a 11% free cash flow yield, the valuation was simply too cheap and we attribute the performance since then to earnings multiple expansion, double digit EPS growth following management's decision to accelerate the share buyback program, and additional strategic direction clarity following the announcements of partnerships with testing company Labcorp, Verily (Google), Kroger, and next day prescription delivery with Fedex.

We continue to favor Walgreens due to its scale position in retail pharmacy and generic procurement as well as management's dedicated focus on shareholder value creation.

Worst performers during the quarter[2]

ALCANNA DOWN -61%

Shares of Alcanna sold off sharply during the quarter which was the result of multiple elements. Heading into the end of Q3 and the upcoming legalization of cannabis, Alcanna along with other cannabis related producers and retailers, saw their share prices rise in anticipation. It quickly became apparent that supply was not available to satisfy retail demand, and the entire cannabis space sold off as store shelves were empty and growth plans scaled back. While Alcanna does have exposure to retail cannabis in Alberta, it is a very small part of its business. The majority of its revenues and earnings come from retailing alcohol, where there are significant improvements to the operations underway. The decision by the company to terminate its dividend payment caught investors by surprise and was responsible for the second leg down in share price. We see numerous opportunities for the company to deploy capital into improving the alcohol retailing business and look forward to resulting earnings growth in the next few years.

STERICYCLE DOWN -34%

Another difficult quarter for Stericycle (SRCL) as it works through a material restructuring which we are hopeful will lead to a much improved cost structure for the company. This improvement will take time and the same downward pricing pressure that has impacted SRCL's revenues in the past continued in the quarter. Although its stock price move is frustrating, we are confident that the current price is well below the company's long term intrinsic value.

NFI GROUP DOWN -32%

Shares of NFI Group sold off during the quarter resulting from a combination of weaker than expected third quarter results and a broad based market sell off that particularly affected small and mid-capitalization companies such as NFI. The company reported start-up costs in the third quarter related to its new Shepherdsville, Kentucky plant, which contributed to the slightly lower profitability versus expectations. These costs will tail off as the company ramps up production at the facility. NFI is often mentioned in international trade related discussions but the company feels the shift from NAFTA to USMCA will not have a material impact on the business. We continue to like NFI's market leadership position in an industry with stable replacement demand, as well as its growth opportunities in electric buses and low-floor "cutaway" buses. Given the prospects of the company and the selloff in the share price, we increased the number of shares we own significantly.

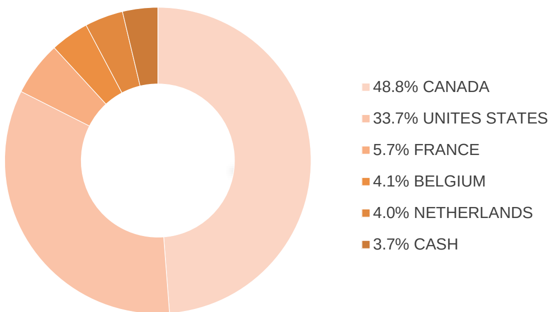
SPIN MASTER DOWN -25%

Spin aster (TOY) shares were weak in the quarter reflecting concerns over the toy industry and its ability to adapt to the exit of Toys 'R' Us from the United States and U.K. markets during 2018. While the Toys 'R' Us bankruptcy created opportunities for other retailers to fill the gap with dedicated toy shelf space, the transition could possibly lead to lower fourth quarter toy sales this year, as less experienced retailers work through the logistics of keeping store shelves stocked with toys during holiday shopping. We see this as a transitory issue and believe that Spin Master will continue to grow its market share of the overall toy industry as a result of its entrepreneurial focus on innovation and its strong portfolio and development pipeline. Similar to NFI, we do not believe the short term issues warrant the exaggerated price move, and as such, we materially increased the number of shares we own during the quarter.

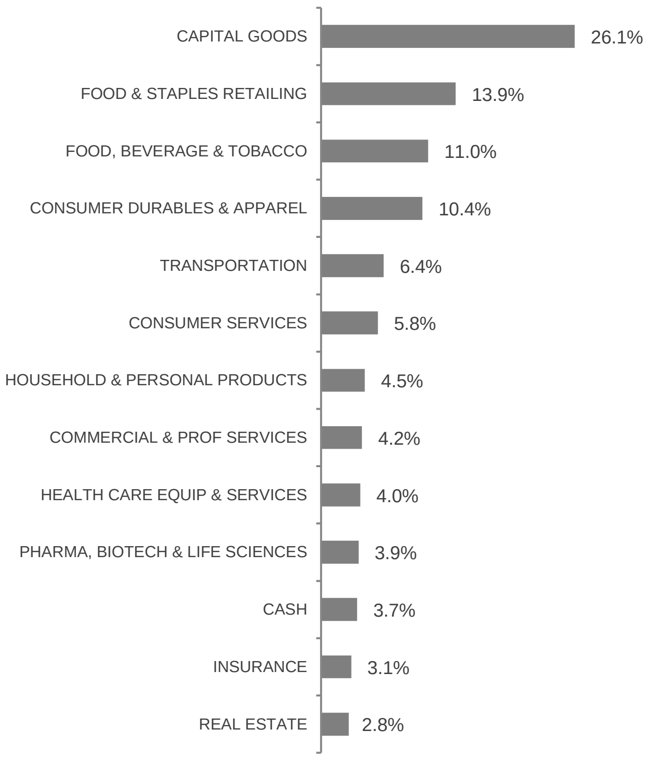
AG GROWTH DOWN -25%

As with TOY and NFI, shares of Ag Growth (AFN) were weak in the quarter due in part to the broad based market weakness that particularly affected small and mid-cap stocks. While the third quarter results were slightly below expectations, backlogs across AFN's various business lines were all quite strong, indicating good growth prospects going forward. We remain optimistic about the long-term outlook for the company and expect its operations in Brazil will be contributing positively in 2019. We added to our position during the quarter as we see strong upside over the next five years as the company continues to execute on its strategic plan to grow revenues on new platforms, products and in new geographies.

Geographic Split (December 31/2018)



Industry Split (December 31/2018)



Buys & Sells

One new position was added to the fund in the quarter: Koninklijke Philips N.V. ADR.

In addition, we added to several names including LVMH Moet Hennessy Louis Vuitton SE ADR, iA Financial Corp., Biogen Inc., Stericycle Inc., NFI Group Inc., Ag Growth International Inc., Premium Brands Holdings Corp., Oshkosh Corp., Spin Master Corp., WABCO Holdings Inc. and Alcanna Inc.

We reduced our positions in Walgreens Boots Alliance Inc., Dream Global REIT, Metro Inc., Cargojet Inc. and Exchange Income Corp. We eliminated two positions in the quarter: we exited our long position in Starbucks Inc. and covered our short position in Tiffany & Co.

New Buys:

KONINKLIJKE PHILIPS N.V. ADR

Netherlands-based Koninklijke Philips is a company that has been on our radar for a long-time. Over the last 3 years, the company has refocused its operations to become a global leading healthcare player with strong market positions in diagnosis and patient monitoring equipment as well as personal health products. We have a strong appreciation for the competitive moat of the business which benefits from high switching costs as well as technological leadership due to its extensive portfolio of patents. Going forward, we anticipate profits to grow at a double digit rate due to the business' exposure to structural growth drivers such as the increasing prevalence of chronic diseases and the adoption of the company's equipment by emerging market countries as well as significant opportunities for self-help driven margin improvement initiatives. After reporting Q3 2018 results, the shares sold off as the company tempered expectations for margin expansion over the next 12 months due to various short-term events we believe management will be able to surmount soon thereafter. As there was no change to our outlook for long-term earnings power, we took advantage of the market reaction to initiate a position at a significant discount to our estimate of intrinsic value.

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

Disclaimer