

# **Galibier Opportunities Fund Quarterly Investment Review**

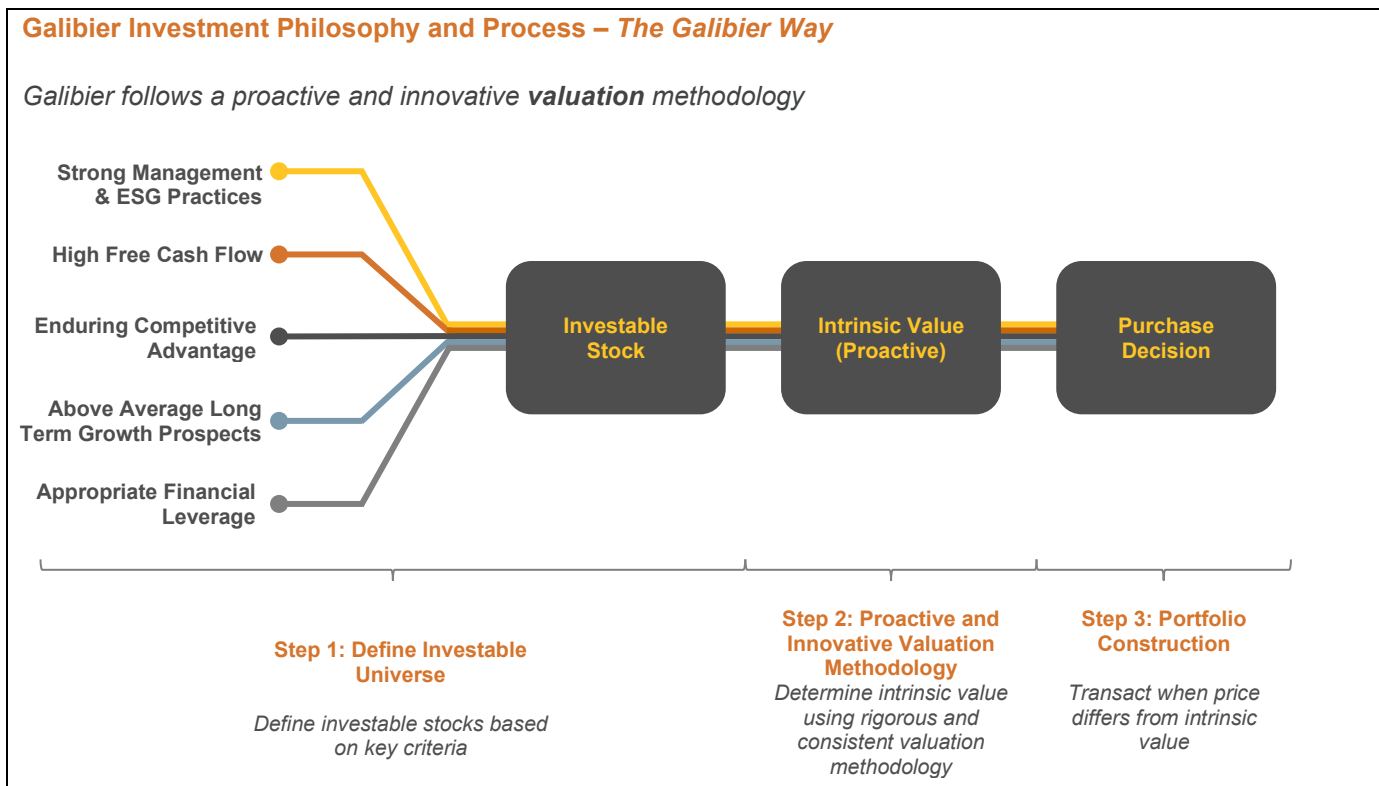
## **Q1 2023**



**Joseph Sirdevan, CFA  
Graham Anderson, CPA, CFA  
Lauree Wheatley, CFA  
Andrew Wallman, CFA  
Kelvin Wong, CFA  
Colin Pearson, CFA  
Zohan Barkur  
Jun Chuah, CFA  
Neeti Pandey**

## 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.



## 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 Opportunities Fund Summary of Results

Period ending: Mar31/2023	Since Oct31/14 (%)	7 year (%)	5 year (%)	3 year (%)	1 year (%)	Year-to-date (%)
<b>Galibier Opportunities Fund</b>	<b>9.1</b>	<b>11.9</b>	<b>9.1</b>	<b>19.7</b>	<b>0.3</b>	<b>9.5</b>
S&P/TSX Composite (total return)	7.0	9.1	8.8	18.0	-5.2	4.6

### 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 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.
- viii. Performance presentation consistent with recommendations from FCLTGlobal "Institutional Investment Mandates: Anchors for Long-term Performance" [www.fcltglobal.org](http://www.fcltglobal.org)

See Notes and Disclaimer at the end of this document for information about the returns and benchmarks.  
Source: Galibier Capital Management Ltd, Bloomberg.

## Galibier Opportunities Fund

In Q1 2023, the Galibier Opportunities Fund generated a return of +9.5%. Since its inception on October 31, 2014, the fund has provided an annual return of +9.1%.

### Opportunities Fund Largest Positions\* (Mar31/2023)

Long positions	Weight (%)
1. Savaria Corp.	5.7
2. Canadian Pacific Railway Ltd.	5.5
3. Spin Master Corp.	5.5
4. Premium Brands Holdings Corp.	5.4
5. Apple Inc.	5.3
6. Agnico Eagle Mines Ltd.	5.2
7. Park Lawn Corp.	5.1
8. AXS Short Innovation ETF	5.0
9. LVMH Moët Hennessy Louis Vuitton SE	5.0
10. Canadian Imperial Bank of Commerce	4.9
<b>Total</b>	<b>52.6</b>

\*Due to a significant cash inflow on March 31, 2023, the Galibier Opportunities Fund had a 32.7% cash position at quarter end. To avoid misleading information and to better reflect Galibier's positioning of the fund as of March 31, 2023, the 'largest positions' data is presented on a settlement date basis which does not include the impact of the large cash inflow.

## Best performers during the quarter<sup>2</sup>

### AG GROWTH INTERNATIONAL UP +41%

Shares of Ag Growth were strong in the quarter, reflecting the combination of solid operating results and management's continued commitment to reducing leverage. Ag Growth's new senior management team hosted the company's first ever investor day in February, highlighting the international opportunities available in high growth markets like Brazil and India. The new focus on driving organic growth rather than acquisitions should lead to growing free cash flow and debt reduction. We took advantage of the price increase in the shares to reduce our position in AFN.

### APPLE UP +27%

Perhaps no company better exemplifies the 'Galibier Way' than mega-cap company, Apple. The company has many enduring competitive advantages which is an important part of the Galibier investment philosophy and process. For example, Apple has one of the worlds strongest and most durable brands which is constantly buttressed by innovation, it generates billions in free cash flow, has an optimal capital structure, returns excess capital to shareholders in the form of dividends and large scale buy backs and has a superb record of governance.

### LVMH MOËT HENNESSY UP +27%

Investors cheered another year of strong revenue and margin growth at luxury goods conglomerate, Louis Vuitton. The company operates in six segments

including its legendary fashion and leather goods segment, as well as watches and jewelry; wines and spirits; perfumes and cosmetics; selective retailing (including Sephora and airport duty-free retailer DFS); and other (including publishing). Higher-profile brands include Louis Vuitton, Bulgari, Fendi, Givenchy, Tag Heuer, Hennessy, Moët & Chandon, Glenmorangie, Sephora, and Benefit. Its distribution network of 5,000 stores globally, coupled with its formidable brand portfolio and pricing power, give it an almost unassailable competitive advantage.

**PREMIUM BRANDS UP +22%**

Shares of Premium Brands (PBH) performed well in the quarter. With its focus on branded products and being much less integrated than its competitors, PBH isn't facing the same cost pressures being experienced by more integrated protein processors. Management introduced new long-term targets alongside the most recent quarterly results, which suggest a continuation of strong organic growth for the company. With a long record of strong operational and capital allocation strategies, Premium Brands remains a core holding.

**Worst performers during the quarter<sup>2</sup>**

**AXS SHORT INNOVATION ETF DOWN -25%**

We took advantage of weakness in the AXS Short Innovation ETF (SARK) to add to our position in the \$38-\$44 range over the quarter. The fund seeks to track -1x the daily performance of the ARK Innovation ETF. Our view is that the majority of companies owned by the ARK Innovation ETF, focused primarily in the technology sector, are overvalued and due for a correction. Highly valued stocks often sell-off when interest rates rise. SARK is positioned to take advantage of declining prices in the speculative and over-valued stocks held by the ARK ETF.

**NFI GROUP DOWN -14%**

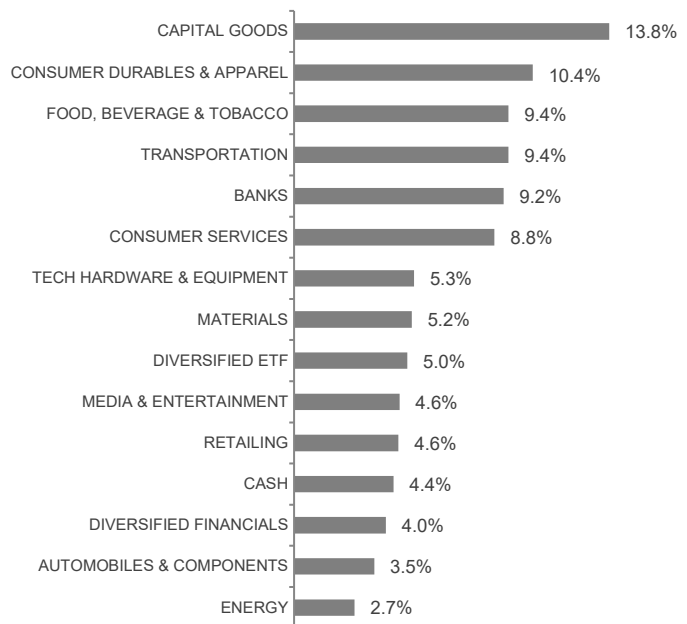
NFI Group shares were weak in the quarter. The company continues to struggle with disruption related to supply chain inconsistencies. While demand for buses remains strong, driven by significant government funding programs in both Canada and the United States, the inability to secure supply of critical components has had a negative impact on revenue and profitability. Management is in the midst of negotiating a new credit agreement with lenders, which creates additional uncertainty in the short-term and has continued to weigh on the shares. We took advantage of a more favourable pricing environment

earlier in the quarter to reduce our position in NFI at around \$11.

**CENOVUS ENERGY WARRANTS DOWN -13%**

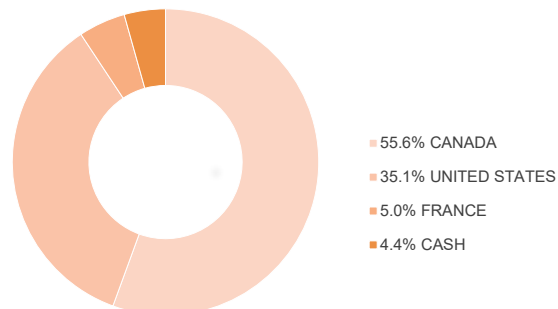
Over the first quarter, the WTI crude oil price fell 5.7% to the mid \$70's and shares of Cenovus weakened off as a result. Galibier took advantage of this move by adding to our position. As of this writing, OPEC has announced supply cuts again, and WTI has rebounded back above \$80.

**Industry Split\* (Mar31/2023)**



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**Geographic Split\* (Mar31/2023)**



\*Due to a significant cash inflow on March 31, 2023, the Galibier Opportunities Fund had a 32.7% cash position at quarter end. To avoid misleading information and to better reflect Galibier's positioning of the fund as of March 31, 2023, the 'geographic split' data is presented on a settlement date basis which does not include the impact of the large cash inflow.

## **Buys & Sells**

During the quarter, we added one new name to the portfolio: Truist Financial Corp.

In addition, we added to Agnico Eagle Mines Ltd. and the AXS Short Innovation ETF.

We reduced our positions in Ag Growth International, LVMH, Canadian Pacific Railway, Target and General Motors, Apple and NFI Group.

## **New Buys:**

### **TRUIST FINANCIAL CORP.**

Super-regional bank, Truist (TFC), was formed as a result of the merger of BB&T and SunTrust in 2019 and is among the top ten banks in the U.S. in terms of assets. TFC has been a long time holding in our global fund. Like many banks, TFC sold off due to investor fears about a banking crisis as a result of the failure of Silicon Valley Bank and a handful of other smaller regional banks. In general, these banks were underregulated and pursued flawed lending strategies which were backed by an undiversified deposit base. Super-regionals (such as Truist) are much more heavily regulated and have much more diversified deposit bases. We see very limited risk in its business model and view the sell-off in the share price as a significant opportunity. We initiated our position in the Galibier Opportunities Fund at around \$33 which is a 6.5x P/E multiple on expected 2023 earnings and a dividend yield of 6.2%.

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 MSCI World 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.*

*The returns of the S&P TSX Composite index are provided for comparison purposes. The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange with about 250 companies included in it. The index returns do not take into account any fees and expenses. The returns of this index are provided for reference purposes to show how the performance of the fund fared relative to the market as a whole. The composition of the holdings of the fund and the index vary, because the holdings of the fund are comprised of individuals equities selected on the basis of the fund's investment objectives and strategies.*

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**

Galibier Capital Management Ltd. ("Galibier") is registered with the Ontario Securities Commission as a Portfolio Manager, Investment Fund Manager and Exempt Market Dealer, 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, with the Alberta Securities Commission as a Portfolio Manager, with the Financial Services Regulation Division Department of Service NL in Newfoundland & Labrador as a Portfolio Manager and Investment Fund Manager, and with the Financial and Consumer Affairs Authority of Saskatchewan as a Portfolio Manager. This summary does not constitute an offer to sell or buy any securities and does not constitute investment advice. 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 and fund expenses. 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.