GALIBIER

Quarterly Investment Review

Q3 2023

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"Many shall be restored that now are fallen and many shall fall that now are in honor"

-Horace

Stock markets around the world experienced negative returns during Q3 2023 as markets adjusted to a sharply higher yield curve. The Fed and other central banks continue to apply the brakes to their economies by raising interest rates. Higher rates impact future cash flows of companies and also lead to higher discount rates in discounted cash flow calculations. All else equal, these effects mean lower share prices.

Index construction, coupled with massive flows into index linked investment products, is leading once again to many examples of stock prices that are disconnected from value. However, at Galibier we stick to our intellectual framework and process for making investment decisions.

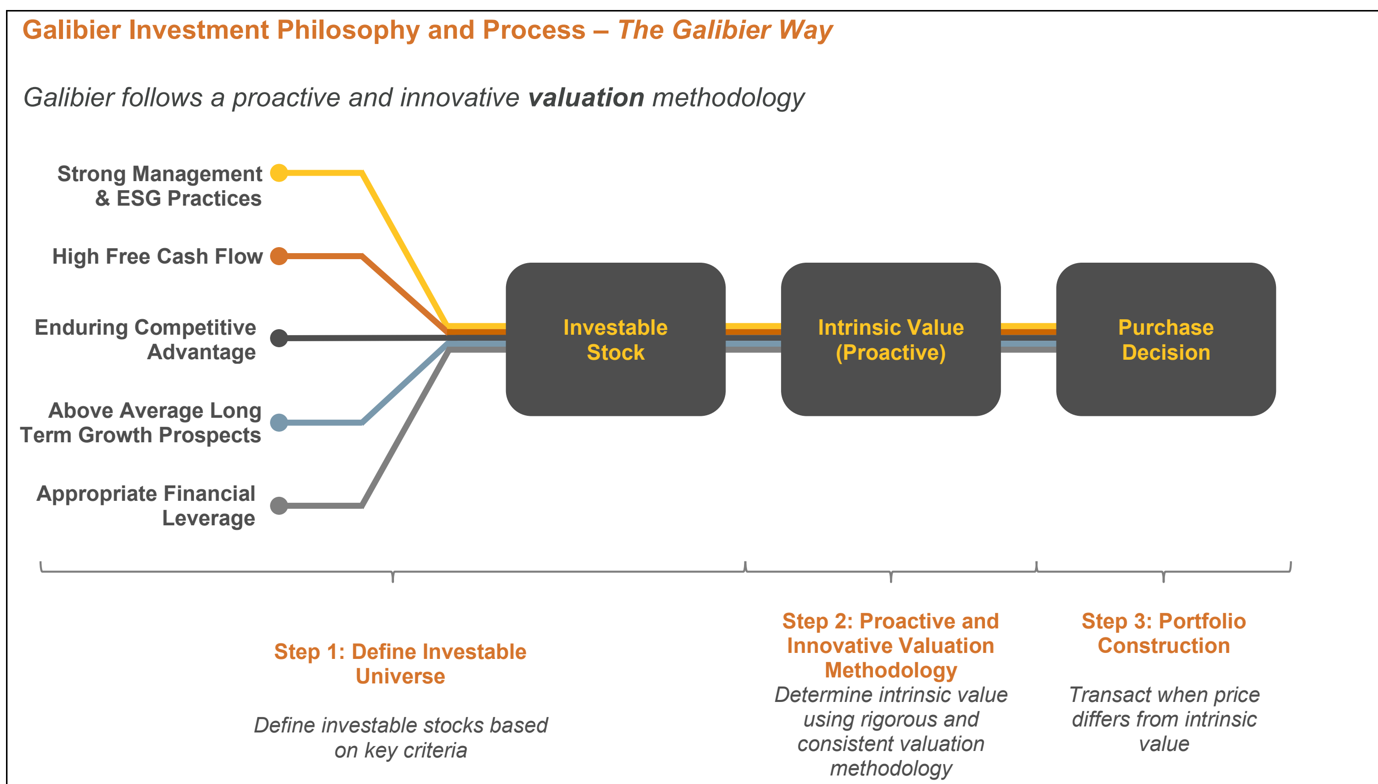
Our focus is on identifying companies with durable competitive advantages, calculating their intrinsic values and comparing those values to market prices. Our goal is to buy businesses that are trading below intrinsic value. Embedded in the "Galibier Way" are a number of elements that ensure a high margin of safety including a high discount rate of 12-15% (versus the current 10-year rate of 4.7%), a conservative view of economic conditions in the future, and importantly in our risk control, the requirement that we only look at high quality businesses which meet our five criteria as detailed on the next page.

Our approach is markedly different than investing in an index product as indexes tend to be focused on price rather than on value. Furthermore, the price of most major indexes is based on market capitalization weightings (company size). As a result, this tends to lead to share price appreciation in the largest companies in the index since each marginal dollar that flows into an index product is allocated proportionately more to the largest companies in the index. So, the prices of those larger companies get bid up and their market cap increases, and the cycle becomes self-fulfilling…until it stops, or worse, until it reverses. When investors start to remove money from index products, the largest capitalization companies sell off much more sharply.

Right now, being an indexer or a closet indexer looks very, very risky to us. Seven companies currently account for 25% - 30% of the world's most important index (the S&P500) and those companies are extremely highly valued. The fact that the mid and longer end of the yield curve is up sharply in the last few weeks suggests that index levels could decline sharply and quickly. All three of Galibier's pooled funds have a very high active share which means that we are very different from the index. Our focus is as always on high quality businesses at reasoned/reasonable valuations.

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 Canadian Equity Pool Summary of Results

Period ending: Sep30/2023	Since Sep27/12 (%)	10 Year (%)	5 Year (%)	3 Year (%)	1 Year (%)	Year-to-date (%)
Galibier Canadian Equity Pool	**9.6**	**8.9**	**6.1**	**9.7**	**6.6**	**1.4**
S&P/TSX Composite (total return)	7.5	7.5	7.3	9.9	9.5	3.4

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 Notes and Disclaimer at the end of this document for information about the returns and benchmarks.

Galibier Canadian Equity Pool

The investment objective of the Galibier Canadian Equity Pool is to achieve long-term capital appreciation through investments primarily in Canadian equity securities.

In Q3 2023, the Galibier Canadian Equity Pool generated a return of -2.2% matching the S&P/TSX composite index. Since inception on September 27, 2012, the Canadian Pool's annualized return was 9.6% per year. At the end of the quarter, the active share[3] of the portfolio was 70%.

Canadian Equity Pool Top Holdings (Sep30/2023)

		Weight (%)
1.	Canadian Pacific Railway Ltd.	5.5
2.	Manulife Financial Corp.	5.1
3.	CGI Inc.	4.7
4.	WSP Global Inc.	4.6
5.	Canadian Natural Resources Ltd.	4.4
6.	CCL Industries Inc.	4.3
7.	Intact Financial	4.2
8.	Canadian Imperial Bank of Commerce	4.2
9.	Enbridge Inc.	4.2
10.	Empire Co. Ltd.	4.1
Total		**45.3**

Best performers during the quarter[2]

Cenovus Energy up +26%

In addition to the very strong price for crude in the quarter (with the benchmark WTI rising from USD $70.60 to $90.80), Cenovus also announced several strategic developments that were viewed favourably by investors. The first development was that the company anticipates stronger-than-expected production growth from four key oil-producing assets. Since this production growth will utilize existing infrastructure, the increase in production will come with a capital-light price tag of $15,000 to $20,000 per flowing barrel. The expected increase over the next four years totals approximately 100,000 barrels of oil equivalent per day (boe/d), which is significant compared to the current production level of 785,000 boe/d.

On the financial side, the company has significantly reduced its debt levels and is close to achieving its target of $4 billion in net debt. This target is expected to be reached in the next quarter or two, which will then enable Cenovus to return 100% of its substantial free cash flow to investors, likely in the form of increased base dividends, variable dividends, and opportunistic buybacks.

Parkland Corporation up +22%

Over the past few years, Parkland, one of the largest networks of gas stations in Canada, has been focused on acquisitions to grow their business. However, in this period of high interest rates, the company has opted for a strategy focused on debt and cost reduction in

their operations. This strategic shift is one that we commend.

During the quarter, the company demonstrated progress in implementing this strategy and have raised their earnings before interest, taxes, depreciation, and amortization (EBITDA) guidance for the next two years. This development is expected to have a positive impact on their future free cash flow and valuation multiple. With the resulting price move in the stock we took the opportunity to reduce our position.

CANADIAN NATURAL RESOURCES UP +19%

Similar to Cenovus, Canadian Natural Resources (CNQ) also experienced the significant benefit of extremely strong crude oil prices in the quarter, with the benchmark price increasing by $20, representing a 28% rise. Furthermore, CNQ boasts an attractive dividend yield of over 4%, and given the company's low production costs and extensive reserves, this yield is sustainable even at substantially lower energy prices. During the quarter, we capitalized on market opportunities to trade around our position in CNQ.

NFI GROUP UP +13%

Shares of NFI performed well in the quarter, as the company continues to make good progress in managing through their supply chain challenges and increase bus production with a meaningful ramp up expected in late 2023 and through 2024. Some of NFI's competitors have exited the industry recently which further strengthens the company's position as the transit bus leader in North America. End-markets remain robust, supported by significant government funding programs in both Canada and the US.

Worst performers during the quarter[2]

ARITZIA DOWN -36%

After experiencing two years of unprecedented growth, during which sales increased by 160%, Aritzia is currently facing some growing pains. The company is making substantial investments in preparation for the next phase of growth, while simultaneously facing a slowdown in sales growth to low single digits. This has resulted in a lower-than-anticipated earnings outlook for the current year.

We continue to hold Aritzia in our portfolio due to its promising long-term potential for high-margin growth in the United States. In the upcoming year, Aritzia plans to expand its retail square footage by 15%, followed by an additional 20% increase the following year, with the majority of this expansion occurring in the United States. Although square footage growth will taper off in the medium term, it is expected to enable Aritzia to achieve double-digit revenue growth through the end of the decade.

We are optimistic about Aritzia's prospects for the year ahead, as it leverages its current investments and gradually sheds the one-time costs associated with its expansion. Due to the recent weakness in the company's performance, we took advantage of the opportunity to add to our position in Aritzia.

PARK LAWN DOWN -23%

During the quarter, it was leaked that Park Lawn had made an offer to acquire Carriage Services, a similarly sized peer, with the goal of becoming the second-largest cemetery and funeral home operator in North America. We advised the company against proceeding with the deal due to the current high cost of capital, both in terms of debt and equity. Subsequently, after the quarter ended, Park Lawn withdrew its bid to acquire Carriage. However, we believe it will take some time for this management team to rebuild credibility with investors before its price-to-earnings (P/E) multiple returns to the mid to high teens.

In the meantime, we support the current strategy of expanding its business by adding funeral bookings and cemeteries using the free cash flow generated from its operations. This approach should lead to incremental high single-digit revenue growth, with operating profit growing even faster due to synergies and operational leverage. With a price-to-next-year's earnings ratio of 11 times, we find their valuation to be very attractive in relation to their growth prospects. As a result, we added to our position in Park Lawn throughout the quarter.

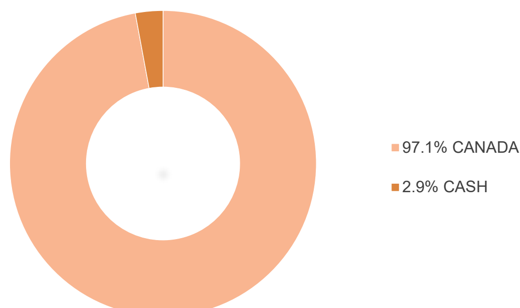
NORTHLAND POWER DOWN -19%

The recent increase in long-term interest rates has had a significant impact on the renewables sector during the quarter, as the sector's long-term contracted cash flows are sensitive to changes in interest rates. We are encouraged that Northland has achieved financial close on both Baltic and Hai Long which helps materially de-risk the company's major development projects.

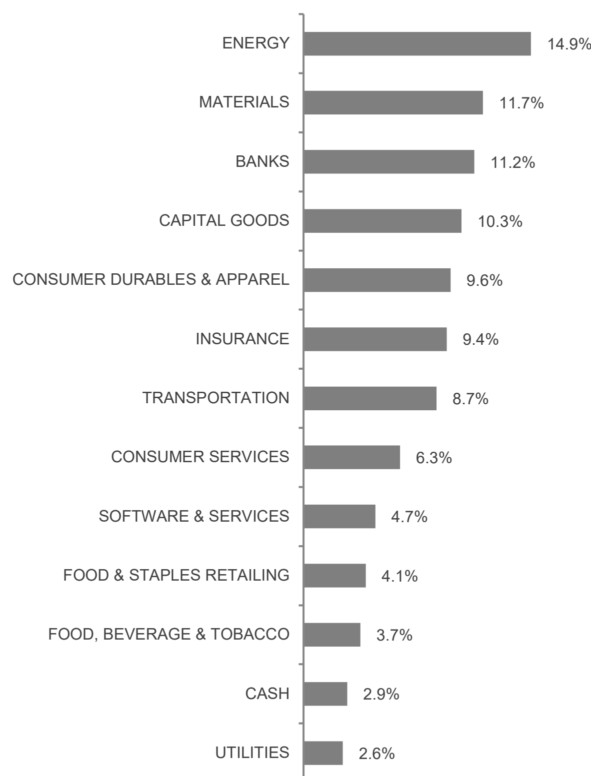
The focus for Northland now turns to executing on these two major projects and maintaining discipline when it comes to future growth projects. We continue to believe that Northland is undervalued relative to its

stable and contracted cash flows due to overall negative sentiment in the renewables sector.

Canadian Equity Pool Geographic Split (Sep30/2023)



Canadian Equity Pool Industry Split (Sep30/2023)



Buys & Sells

During the quarter, we added two new names to the portfolio: Gildan Activewear and Toronto-Dominion Bank.

In addition, we added to our positions in Enbridge, Cargojet, Premium Brands, and Canadian Imperial Bank of Commerce among others.

We reduced our positions in numerous names including Ag Growth, Parkland Corp, Spin Master, and Cenovus Energy. One position was eliminated from the portfolio: Rogers Communications.

As a result of these transactions, the cash position decreased to 2.9% from 4.1% at the end of the prior quarter.

New Buys:

Gildan Activewear

Gildan Activewear (GIL), added to our portfolio during the quarter, is one of the world's largest producers of basic activewear, primarily T-shirts, fleece, and underwear. The company mainly sells its products in the U.S. wholesale channel, but it also has a growing retail presence under various brand names, such as Gildan, Anvil, Goldtoe, Secret, and Silks.

The company's competitive advantage stems from its vertically integrated low-cost production capabilities and its ability to innovate in a commodity product market. This innovation is reflected in its industry-leading profit margins. Looking ahead, the company is poised to benefit from market share gains due to pricing leverage, as well as significant new capacity coming online in the near term.

At our purchase price, the company offers an attractive price-to-earnings (P/E) multiple of approximately 11X, a free cash flow yield of around 7.4%, and a dividend yield of 2.6%. Over the last 20 years, GIL has reduced its share count by 25%, and we anticipate that buybacks will continue in the future.

Toronto-Dominion Bank

Given the challenging outlook for the banking sector, we identified an opportunity to acquire Toronto Dominion Bank's (TD) high-quality business at a discount compared to its historical multiples. TD boasts a robust Personal and Commercial (P&C) franchise in Canada, and we continue to regard it as a bank with a strong "deposit franchise," granting it superior access to relatively lower-cost sources of funding. TD's substantial presence in the United States represents another significant catalyst that supports the bank's long-term growth.

We also appreciate TD's diversified business model, which includes a growing Wealth Management and Insurance segment. Furthermore, it's worth noting that

TD holds the distinction of being the best-capitalized bank in Canada, affording it the capacity to repurchase up to 7% of its total outstanding shares over the next 12 months.

Canadian Equity Pool Dynamics (Sep30/2023)		
Measure	Canadian Pool	S&P/TSX Comp
Fwd 12M P/E	14.9x	13.2x
Dividend Yield	2.9%	3.5%
Number of Names	27	227
Active Share[3]	70%	-

Source: *Galibier Capital Management Ltd, Bloomberg*

Galibier Opportunities Fund Summary of Results

Period ending: Sep30/2023	Since Oct31/14 (%)	5 year (%)	3 year (%)	1 year (%)	Year-to-date (%)
Galibier Opportunities Fund	**8.2**	**6.6**	**9.1**	**12.8**	**6.3**
S&P/TSX Composite (total return)	6.5	7.3	9.9	9.5	3.4

Notes:

i. *Return figures are gross of fees.*
ii. *Return figures are annualized for periods greater than 1 year.*
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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.*
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Source: Galibier Capital Management Ltd, Bloomberg.

Galibier Opportunities Fund

The investment objective of the Galibier Opportunities Fund is to achieve long-term capital appreciation by investing in a portfolio of long and short investments comprised primarily of equity securities.

In Q3 2023, the Galibier Opportunities Fund generated a return of -3.7%. Since its inception on October 31, 2014, the fund has provided an annual return of 8.2%.

Opportunities Fund Largest Positions (Sep30/2023)

Long positions		Weight (%)
1.	Cargojet Inc.	6.3
2.	Cenovus Energy Inc. (Warrants)	5.4
3.	Truist Financial Corp.	5.4
4.	Canadian Imperial Bank of Commerce	5.3
5.	Oshkosh Corp.	4.9
6.	AXS Short Innovation ETF	4.8
7.	Premium Brands Holdings Corp.	4.6
8.	Northland Power Inc.	4.6
9.	Disney Company	4.6
10.	Restaurant Brands International Inc.	4.5
Total		**50.4**

Best performers during the quarter[2]

Cenovus Energy Warrants up +35%

In addition to the very strong price for crude in the quarter (with the benchmark WTI rising from USD $70.60 to $90.80), Cenovus also announced several strategic developments that were viewed favourably by investors. The first development was that the company anticipates stronger-than-expected production growth from four key oil-producing assets. Since this production growth will utilize existing infrastructure, the increase in production will come with a capital-light price tag of $15,000 to $20,000 per flowing barrel. The expected increase over the next four years totals approximately 100 million barrels of oil equivalent per day (boe/d), which is significant compared to the current production level of 785 million boe/d.

On the financial side, the company has significantly reduced its debt levels and is close to achieving its target of $4 billion in net debt. This target is expected to be reached in the next quarter or two, which will then enable Cenovus to return 100% of its substantial free cash flow to investors, likely in the form of increased base dividends, variable dividends, and opportunistic buybacks.

NFI Group up +13%

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expected in late 2023 and through 2024. Some of NFI's competitors have exited the industry recently which further strengthens the company's position as the transit bus leader in North America. End-markets remain robust, supported by significant government funding programs in both Canada and the US.

OSHKOSH UP +13%

Oshkosh (OSK) has managed to overcome the disappointment of losing a portion of its low-margin defense business to a competitor. The company recently announced its expectations for strong growth in its vocational business, specifically in the fire truck segment. To bolster this division, Oshkosh has acquired Aerotech, a provider of aviation ground support products. In addition, electric vehicles present a significant opportunity for OSK. The company currently maintains a consolidated backlog of nearly $15 billion, which is almost twice its revenue. The valuation is highly attractive at approximately 11 times earnings, and with a solid balance sheet, Oshkosh has the capacity to fund share buybacks or pursue additional bolt-on acquisitions.

AXS SHORT INNOVATION UP +12%

Once again, the SARK ETF has been an effective hedge against the speculative excesses and high valuations of US technology stocks. This fund provides direct inverse performance compared to the speculative ARK Fund, which holds significant positions in companies such as Tesla, Roku, Zoom, and Coinbase, among others. Many of these highly valued companies either have minimal or no earnings, or they trade at enormous multiples relative to their earnings. In our estimation, these factors make them ripe for a decline.

Worst performers during the quarter[2]

GENERAC DOWN -25%

The underperformance of Generac, the largest manufacturer of home generators, can be attributed to the CEO's excessive promotion of the company's stock. During the second quarter, Texas experienced a record heatwave to the extent that officials were sending text messages to residents urging power conservation to prevent rolling blackouts. Concurrently, the CEO made multiple appearances on CNBC, touting high demand in the region. Unfortunately, the company lowered its full-year guidance for the quarter due to a weaker macroeconomic environment.

Fortunately, we capitalized on the strength in the second quarter to nearly halve our position. As we've mentioned in the past, our interest in Generac is not focused on its 2023 earnings, as the company needs to address an overstocked distribution channel. Instead, we view Generac as a long-term compounder, driven by the belief that the U.S. electrical grid will continue to deteriorate due to underinvestment, the growth of renewable energy, increased power demand, and the impact of climate change, all of which should drive demand for Generac's products. Despite a substantial investment of $1.00 of earnings per share (EPS) in the next generation of clean energy products, Generac is currently trading at 14 times 2024 earnings.

ESTEE LAUDER DOWN -24%

As the leading global provider of premium beauty products, with brands such as Tom Ford, Clinique, Estée Lauder, MAC, and Bobbi Brown, Estée Lauder enjoys a durable competitive advantage. However, the stock has been weak this year due to a decline in earnings resulting from a sharp slowdown in Asia's travel retail sector, primarily due to COVID lockdowns, and the impact of a strong US dollar on offshore profit levels.

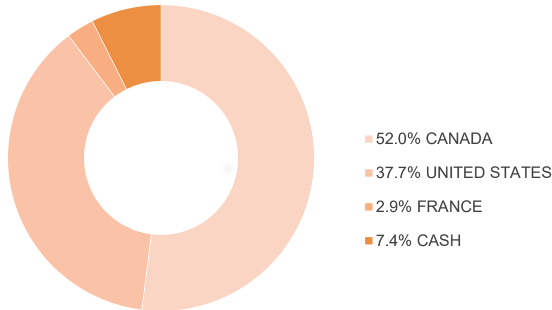
Additionally, the company took on additional leverage to finance the acquisition of Tom Ford Beauty, which means that dividends will remain flat this year, and buybacks will be suspended. We anticipate a significant earnings recovery in the next few quarters and expect solid investment performance to follow.

LVMH MOET HENNESSY LOUIS VUITTON DOWN -18%

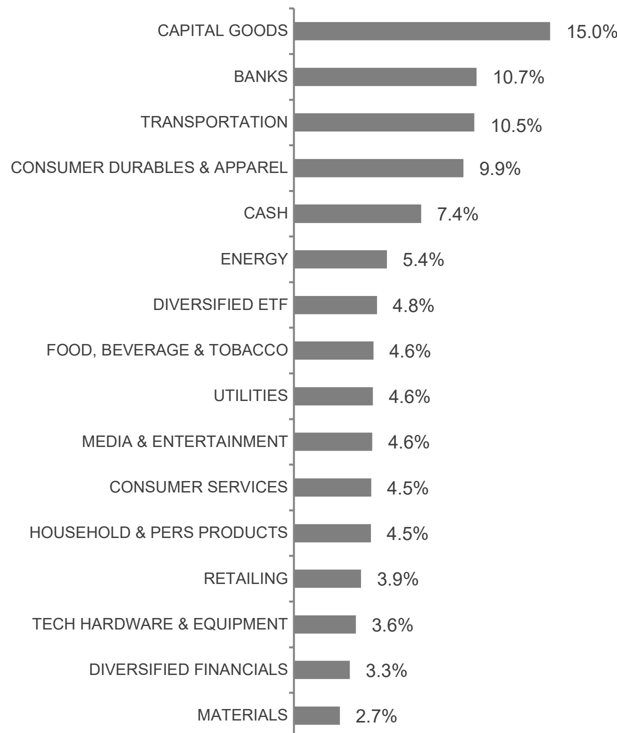
The world-leading luxury goods company, Louis Vuitton, experienced a sell-off during the quarter due to investors' concerns about slowing revenue growth, driven by higher interest rates impacting the consumer economy.

Historically, Louis Vuitton has regarded slowdowns in its end markets as opportunities to acquire additional luxury brands at attractive and accretive prices. Earlier in the year, we capitalized on its high share price at the time to reduce our position in the company. The subsequent weakness in its share price has made us consider adding to our position if the stock weakens further.

Geographic Split (Sep30/2023)



Industry Split (Sep30/2023)



Buys & Sells

During the quarter, we added 3 new names to the portfolio: Aritzia, Interfor, and Northland Power.

In addition, we added to our position in numerous names including Estee Lauder, Cargojet, Canadian Imperial Bank of Commerce, and Canadian Pacific Kansas City.

We reduced our positions in numerous names including Ag Growth, Oshkosh, Spin Master, and Generac. Two positions were eliminated from the portfolio: Maple Leaf Foods, and Agnico Eagle Mines.

New Buys:

Northland Power

Northland Power is an independent power producer which develops and owns renewable power projects such as wind and solar, as well as clean-burning natural gas in North America, Europe, Latin America, and Asia. The company's share price has taken a big hit year-to-date, on concerns over its two major offshore wind projects and overall sector headwinds owing to a higher interest rate environment. We believe the stock's current valuation provides an attractive entry point into a company that is well positioned to capitalize on and benefit from the secular trend of an increasing renewable energy push globally.

Aritzia

Aritzia is a Canadian sub-luxury apparel retailer founded in 1984. We are optimistic about Aritzia due to its extensive growth potential in the United States, where they presently operate 48 stores with plans to add 10 more each year. This expansion is expected to result in a double-digit compound annual growth rate (CAGR) in both square footage and revenue over the next decade.

Aritzia is currently trading at a significant discount to its intrinsic value. The company is facing some growing pains after achieving a 160% increase in revenue over two years. These challenges have arisen as the company invests in its next phase of growth, which has caused this year's earnings expectations to be cut in half. Despite these hurdles, we view Aritzia as an attractive opportunity, particularly considering its valuation at 12 times next year's earnings, given the promising growth prospects ahead.

Interfor

Interfor is one of the largest lumber producers in North America with industry leading operating margins. A majority of Interfor's revenues are derived from softwood lumber sales which are used in housing construction and remodeling. Year-to-date, the company's share price has been under pressure over housing slowdown concerns resulting from a higher interest rate environment. As one of the lowest lumber cost producers, we believe Interfor is well positioned to weather near-term economic uncertainties and participate in a housing market recovery.

Galibier Global Equity Pool Summary of Results

Period ending: Sep30/2023	Since May12/17 (%)	5 year (%)	3 year (%)	1 year (%)	Year-to-date (%)
Galibier Global Equity Pool	**6.4**	**6.3**	**6.0**	**14.4**	**4.1**
MSCI World (CAD, total return)	8.2	8.2	8.5	20.0	10.9

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.*
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Galibier Global Equity Pool

The investment objective of the Galibier Global Equity Pool is to achieve long-term capital appreciation through investments primarily in equity securities of companies located around the world.

In Q3 2023, the Galibier Global Equity Pool generated a return of -4.3%. Since inception on May 12, 2017, the Global Pool's annualized return was 6.4% per year. At the end of the quarter, the active share[3] of the portfolio was 85%.

Global Equity Pool Top Holdings (Sep30/2023)

		Weight (%)
1.	Alphabet Inc.	6.2
2.	Berkshire Hathaway Inc.	5.6
3.	Truist Financial Corp.	5.6
4.	Diageo PLC	5.5
5.	Schneider Electric	5.3
6.	AXS Short Innovation ETF	5.2
7.	Shimano Inc.	5.2
8.	Thermo Fisher Scientific Inc.	5.2
9.	Target Corp.	5.1
10.	Oshkosh Corp.	5.1
Total		**54.0**

Best performers during the quarter[2]

Oshkosh up +13%

Oshkosh (OSK) has managed to overcome the disappointment of losing a portion of its low-margin defense business to a competitor. The company recently announced its expectations for strong growth in its vocational business, specifically in the fire truck segment. To bolster this division, Oshkosh has acquired Aerotech, a provider of aviation ground support products. In addition, electric vehicles present a significant opportunity for OSK. The company currently maintains a consolidated backlog of nearly $15 billion, which is almost twice its revenue. The valuation is highly attractive at approximately 11 times earnings, and with a solid balance sheet, Oshkosh has the capacity to fund share buybacks or pursue additional bolt-on acquisitions.

AXS Short Innovation ETF (SARK) up +12%

Once again, the SARK ETF has been an effective hedge against the speculative excesses and high valuations of US technology stocks. This fund provides direct inverse performance compared to the speculative ARK Fund, which holds significant positions in companies such as Tesla, Roku, Zoom, and Coinbase, among others. Many of these highly valued companies either have minimal or no earnings, or they trade at enormous multiples relative to their earnings. In our estimation, these factors make them ripe for a decline.

Alphabet up +12%

Alphabet's stock has experienced significant growth this year, driven by better-than-expected growth in the digital advertising market. The company's cost-saving initiatives have also contributed to rising earnings expectations throughout the year. Additionally, AI, once seen as a threat to their core search business, has now become an opportunity for new business ventures over the long term.

Despite these positive developments, we still believe that Alphabet is undervalued at 18 times next year’s earnings when you adjust for their large cash balance. We trimmed our position again this quarter as it was our largest position going into the year and has been one of best performers year-to-date.

Berkshire Hathaway up +5%

Berkshire, as a holding company with a substantial insurance operation, is benefitting from higher rates in both underwriting and investment income. Fortunately, it has also managed to largely avoid weather-related losses this year. In addition, Berkshire maintains an enormous investment portfolio, which constitutes just under half of its current market capitalization of $750 billion.

By pro-rating the earnings of its equity stakes and adding them to the earnings of wholly owned companies, including Burlington Northern and MidAmerican Energy, it suggests that Berkshire is trading at an attractive mid to high teens price-to-earnings ratio. Furthermore, stock buybacks are expected to continue into the future.

Worst performers during the quarter[2]

Generac Holdings -25%

The underperformance of Generac, the largest manufacturer of home generators, can be attributed to the CEO's excessive promotion of the company's stock. During the second quarter, Texas experienced a record heatwave to the extent that officials were sending text messages to residents urging power conservation to prevent rolling blackouts. Concurrently, the CEO made multiple appearances on CNBC, touting high demand in the region. Unfortunately, the company lowered its full-year guidance for the quarter due to a weaker macroeconomic environment.

Fortunately, we capitalized on the strength in the second quarter to nearly halve our position. As we've mentioned in the past, our interest in Generac is not focused on its 2023 earnings, as the company needs to address an overstocked distribution channel. Instead, we view Generac as a long-term compounder, driven by the belief that the U.S. electrical grid will continue to deteriorate due to underinvestment, the growth of renewable energy, increased power demand, and the impact of climate change, all of which should drive demand for Generac's products. Despite a substantial investment of $1.00 of earnings per share (EPS) in the next generation of clean energy products, Generac is currently trading at 14 times 2024 earnings.

Estee Lauder down -24%

As the leading global provider of premium beauty products, with brands such as Tom Ford, Clinique, Estée Lauder, MAC, and Bobbi Brown, Estée Lauder enjoys a durable competitive advantage. However, the stock has been weak this year due to a decline in earnings resulting from a sharp slowdown in Asia's travel retail sector, primarily due to COVID lockdowns, and the impact of a strong US dollar on offshore profit levels.

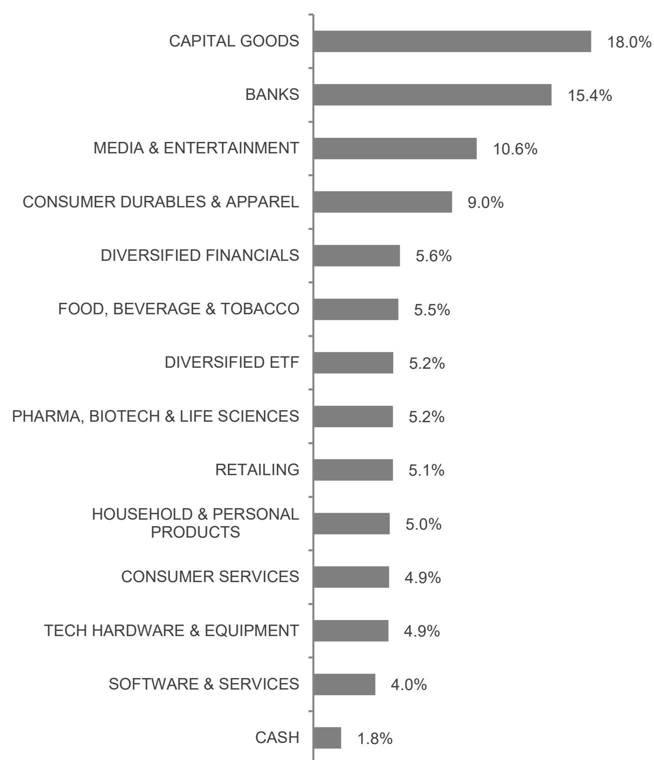
Additionally, the company took on additional leverage to finance the acquisition of Tom Ford Beauty, which means that dividends will remain flat this year, and buybacks will be suspended. We anticipate a significant earnings recovery in the next few quarters and expect solid investment performance to follow.

LVMH Moet Hennessy Louis Vuitton down -18%

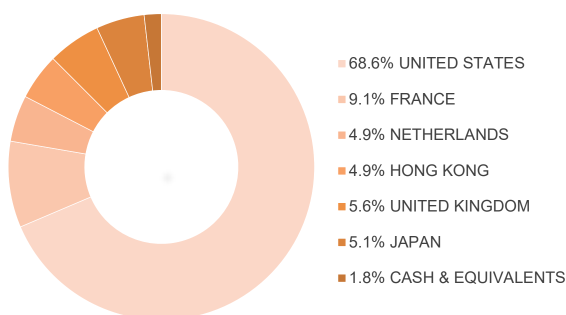
The world-leading luxury goods company, Louis Vuitton, experienced a sell-off during the quarter due to investors' concerns about slowing revenue growth, driven by higher interest rates impacting the consumer economy.

Historically, Louis Vuitton has regarded slowdowns in its end markets as opportunities to acquire additional luxury brands at attractive and accretive prices. Earlier in the year, we capitalized on its high share price at the time to reduce our position in the company. The subsequent weakness in its share price has made us consider adding to our position if the stock weakens further.

Global Equity Pool Industry Split (Sep30/2023)



Global Equity Pool Geographic Split (Sep30/2023)



Buys & Sells

During the quarter, we added one new name to the portfolio: Microsoft.

In addition, we reduced our positions in numerous names including Alphabet, Berkshire Hathaway, Oshkosh, and Apple.

As a result of these transactions, the cash and equivalents position decreased to 1.8% from 4.9% at the end of the prior quarter.

New Buys:

MICROSOFT

Microsoft presents an all-in-one opportunity within three of the fastest-growing segments: Cloud Computing, Artificial Intelligence, and Cybersecurity. Azure is strategically positioned to leverage the ongoing shift to cloud services, with a projected growth rate of 25-30% per year over the next four years. Microsoft's other core products, including Office, Windows, Bing, and LinkedIn, are experiencing steady growth.

With $20 billion in revenue, growing at a rate exceeding 30% year-over-year across over 860,000 customers and an extensive ecosystem of 15,000 partners, Microsoft has firmly established itself as a leader in the cybersecurity sector. Furthermore, Microsoft stands to reap significant benefits from monetizing additional revenue streams generated by its early investments in AI, such as its 49% ownership in OpenAI and strategic acquisitions like the $19.7 billion Nuance acquisition and the $7.5 billion GitHub acquisition.

Above all, Microsoft is well-positioned to bundle its products into simplified package offerings at competitive prices, thereby enhancing the company's competitive advantages.

Global Equity Pool Dynamics (Sep30/2023)

Measure	Global Pool	MSCI World
Fwd 12M P/E	17.9x	16.7x
Dividend Yield	1.8%	2.1%
Number of Names	20	1,510
Active Share[3]	85%	-

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 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 S&PTSX Composite is an unmanaged index of common stocks. Its performance is considered representative of the performance of the Canadian market. The index returns do not take into account any fees and expenses. The returns of the S&P/TSX Composite 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.

   The MSCI World Index is an unmanaged index of common stocks. Its performance is considered representative of the performance of the Global market. The index returns do not take into account any fees and expenses. The returns of the MSCI World 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 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.*

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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. 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.