EWING
MORRIS
INVESTMENT PARTNERS LTD.

FLEXIBLE FIXED INCOME
PLAYBOOK EXAMPLES

-PRIVATE & CONFIDENTIAL-

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Flexible Fixed Income Playbook Introduction

When it comes to executing our investment strategies, we like to use the analogy of a sports playbook. A team with only one play can often be stopped, but a championship team will have perfected a few plays to ensure success regardless of game conditions and the opposition's tactics. While our Equity Playbook can now be considered the offensive strategy, our Flexible Fixed Income Playbook involves four defensively-oriented plays that are designed to generate returns, but have downside protection as their primary goal:

1. The Durable Businesses

A Durable Business is a business whose franchise or assets seem to survive no matter what happens, because, among other things, its assets may be indispensable to its particular industry, the business has a compelling moat or it has little exposure to technological change. The Durable Businesses we find usually have some combination of attributes that provide us with a strong level of certainty in a company's long-term asset value. Investing in businesses or companies with assets that have very little risk of impairment of value are ideal targets through which debt investors can earn returns while limiting downside risk.

2. The Credit Maker

Credit Makers are people or entities whose influence over a company's capital strategy leads to favourable corporate credit outcomes. Examples of Credit Makers can include highly influential insiders, competitors, regulators, or even governments. We think it is critical to determine who the relevant parties are in shaping a company's capital strategy and develop a superior understanding of their unique incentives. Quite often, these very logical and important dynamics are overlooked by investors taking a more conventional approach to credit analysis. As a result, debt investments can offer disproportionately high returns relative to the company's actual credit risk, after one takes into account the fortification the Credit Maker provides to a company balance sheet.

3. Structural Value

Bond investors focus on traditional drivers of credit pricing such as a company's financial condition, cash flow characteristics, leverage, management's capital strategy and the term structure of a given debt security. Often, that is where the analysis ends. However, there are special circumstances where value in a debt investment is ultimately driven by dynamics that reside outside of these conventional models for credit pricing. Our investments in securities with Structural Value have different, often hidden, drivers of returns.

4. Equity Hedges

The business-related factors that cause a company's credit rating to be classified as 'high yield' typically undermine a company's ability to build shareholder value, which can actually make the equities of high yield companies particularly compelling short candidates. By shorting an appropriate amount of a company's stock, we are essentially acquiring insurance against unforeseen company developments, while, at the same time, we are able to continue harvesting a high income from the bond investment in the company. We take great satisfaction in how direct this form of risk management is; if our debt investment is not paid back 100 cents on the dollar, the underlying equity becomes generally worthless.

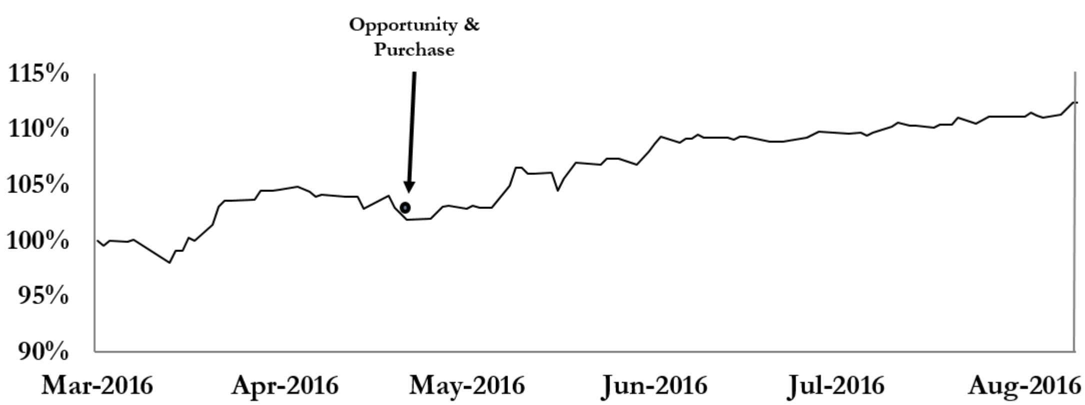
The Durable Business Example

- Purchase bonds of franchises or assets that often survive regardless of outcome
- Key characteristics may include:
  - Assets indispensable to their particular industry
  - Business has a compelling moat
  - Little exposure to technological change

Case Study: Dorel Industries

- Diversified Consumer Products Company
- Manufactures and sells bicycles, strollers, car seats and home furniture
- Has less cyclical products (baby-related goods and budget bicycles)
- Long history (founded in 1971) of performance through economic cycles
- Net working capital in excess of debt
- Purchased convertible bonds due 2019 at 7.60% yield

Investment History



The Credit Maker Example

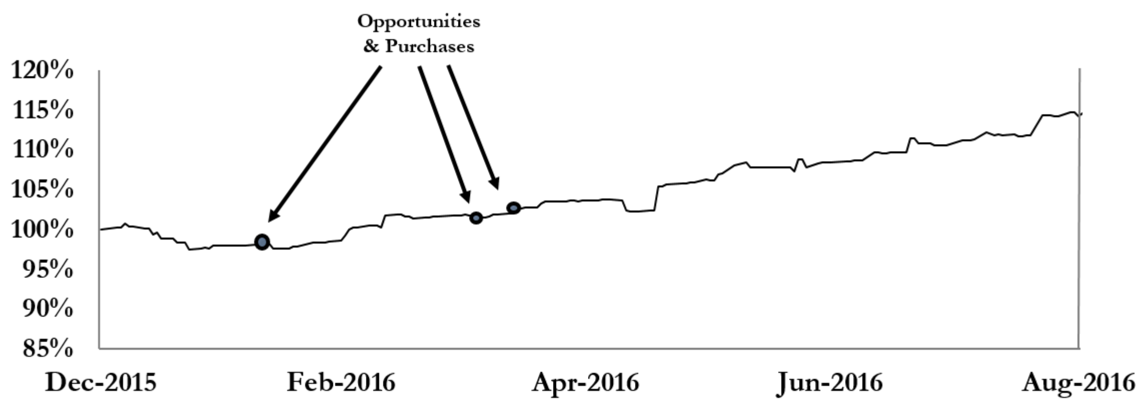
- Credit Makers are people or entities who create positive corporate credit outcomes
- Credit Makers can be internal or external to a company
- 'Insurance policy' provided by Credit Makers is often overlooked and mispriced

Case Study: Canadian Energy Services

Canadian Energy SERVICES

- Canadian-based energy services company
- Manufactures and sells drilling fluids and oil-related specialty chemicals
- Oil sector downturn necessitated difficult actions to ensure survival
- Conservatively capitalized business ($300mm debt, $800mm public equity value)
- The company's Credit Makers are its conservative management team, who defended the credit by:
    - Virtually eliminating its $70mm dividend
    - Raising $80mm in equity in May at a low price not seen since 2012
    - Committing to refinancing bonds well in advance of its maturity
- Purchased bonds at >11% yield

Investment History



Structural Value Example

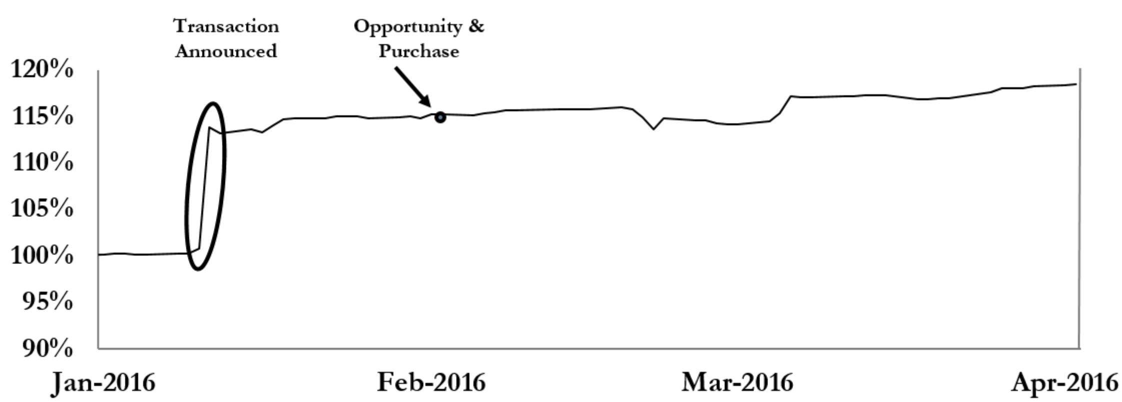
- A bond is a contractual agreement between a borrower and a lender
- Contractual nuances can potentially create investment opportunities which we refer to as Structural Value
- The most common sources are:
    - The fine print in a bond's **covenant** structure
    - The "**call**" or refinancing structure
    - The positioning of a bond in a company's **capital** or corporate structure

Case Study: Corus Entertainment

CORUS ENTERTAINMENT

- Corus' acquisition of Shaw Media was announced in Jan 2016
    - Additional debt was required for the acquisition
    - Corus bond restricted secured debt >$800 mm
    - Bond should have be removed for transaction to proceed
    - High likelihood of transaction completion
- Redemption premium for early retirement of notes
    - Disclosure in prospectus & investor presentation
    - Premium to par was likely ($62mm/550 face = 11.2%)
- Corus incentivized to deal fairly with bondholders
- Early redemption was officially announced April 18, 2016

Investment History



Equity Hedges Example

Capital Structure Arbitrage: An Uncommon Method of Credit Risk Management

- A hedging strategy structured to reduce risk
- Mispricing can exist between different securities in a company's capital structure

Purpose 1: Maintain Returns While Reducing Risk

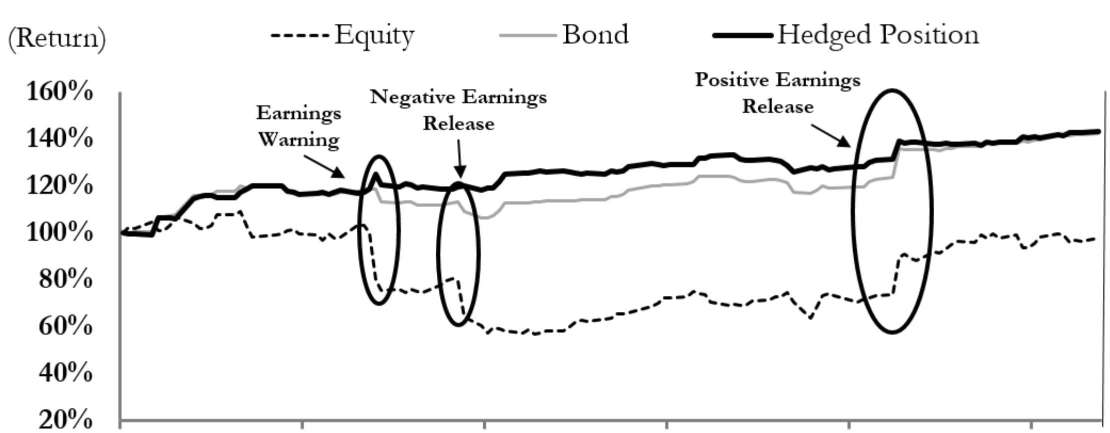
- Protecting an investment from risks of the unpredictable
- Event risk is the most important risk to manage in high yield
- High yield companies can have challenges which cause equity value attrition

Case Study: Seagate

SEAGATE

- Event shocks – debt and equity:

Investment History



Date	Event	Impact Duration	Equity	Bond	Impact @ 30% Hedge Ratio
4/13/2016	Earnings Warning	2 days	-25%	-5%	**+3%**
4/28/2016	Earnings Release	3 days	-28%	-6%	**+3%**
7/11/2016	Earnings Release	1 day	22%	10%	**+3%**

Purpose 2: Enhance Returns While Reducing Risk

- High yield fixed income and equities are distinct markets
- These markets have different participants and see varying fund flows
- Markets often experience large dislocations due to the "silo effect"

Case Study: Precision Drilling

Debt Rationale:

- Strong capital structure position; no funded bank debt
- PP&E coverage vs. debt valuation = 2.9x
- Excellent liquidity; $440mm cash, US $650mm Facility
- High yield fund outflows/oil causing distressed sellers

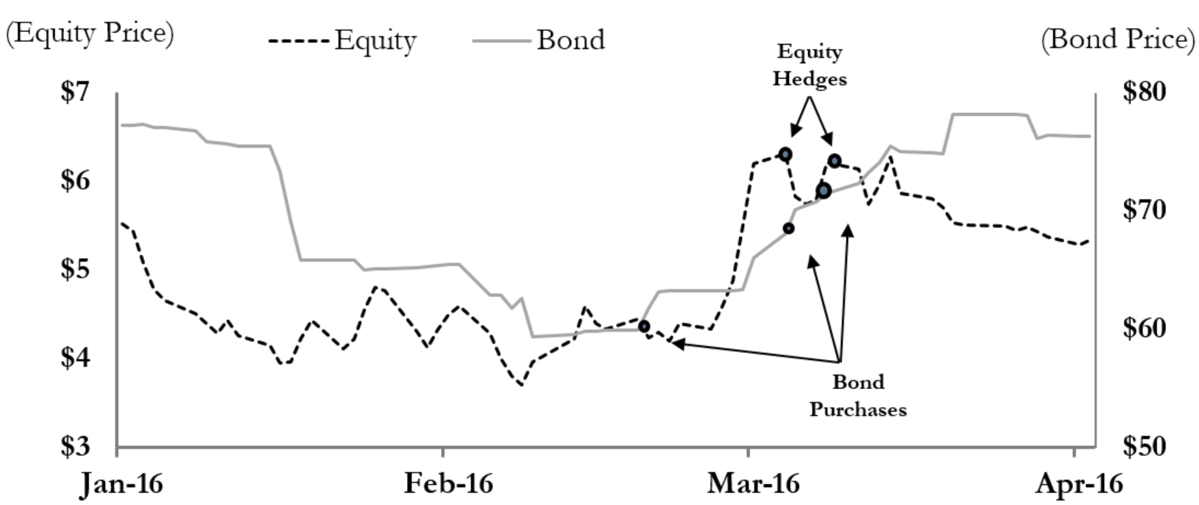
Equity Hedge Rationale:

- Drilling activity still perilously falling
- Low return on capital business
- Significant price dislocation of stock vs. bonds

What Happened?

- Bonds rallied on improving outlook and sentiment
- Took advantage of equity market to 'lock-in' gains
- Debt-equity dislocation subsequently eased
- Equity hedge enhanced return

Investment History



Disclaimer

This document does not constitute an offer to sell units of the Ewing Morris Flexible Fixed Income Fund LP. Units of the Ewing Morris Flexible Fixed Income Fund LP are only available to investors who meet investor suitability and sophistication requirements. Past performance does not guarantee future results.