

March 31, 2017

“I will study and prepare myself and someday my chance will come.” – Abraham Lincoln

Dear Friends and Partners,

Investment Update

The following table summarizes our investment performance, net of all fees and expenses, in addition to well-known and widely-followed investment alternatives for our Limited Partners.

Year	Ewing Morris Opportunities LP Class A¹	S&P/TSX Index with Dividends Included	S&P 500 Index with Dividends Included
2017 (YTD)	4.2%	2.4%	6.1%
Total (Annualized)	11.3%	7.3%	16.2%
	Ewing Morris Flexible Fixed Income LP Class P²	iShares U.S. High Yield Bond Index ETF (CAD-Hedged) ³	iShares Canadian Corporate Bond Index ETF ³
2017 (YTD)	2.4%	1.9%	1.7%
Total (Annualized)	14.7%	16.0%	4.6%

Opportunities Fund LP Commentary

In 2016, we made large, high-conviction investments when the odds were heavily in our favour. High conviction ideas are rare today.

How do we respond? Two ways.

First, we build our wish list. The wish list is an inventory of companies, usually “Great Businesses” or “Great Capital Allocators” that we understand and would love to own if the valuation were more attractive. In some cases, we have owned shares in these companies previously and continue to follow them closely. For example, we first met ZCL, under prior management, in 2007 and again in 2012. We did not actually invest until late 2015.

Second, we make toehold investments. Sometimes we make toeholds while we continue to familiarize ourselves with a company and its management. This was true of Boyd Group in 2012 and J2 Global in 2015. We initially invested 2% of our assets in Boyd Group before increasing the weight to 5% after visiting management in Winnipeg a few months later. Similarly, we commenced

¹ Results are estimates as of March 31, 2017 and are net of all fees and expenses. Fund inception was September 9th, 2011.

² Results are estimates as of March 31, 2017 and are net of all fees and expenses. Fund inception was February 1st, 2016.

³ Note: Low-cost, index tracking funds; representative of an individual’s opportunity cost in fixed income.

our investment in J2 Global with a 2% weight in August 2015, before increasing the weight to 8% in February 2016, following continued study and several additional meetings with management.

We also take toeholds in companies that, despite favorable *long-term* prospects, are exposed to shorter-term economic headwinds. If storm clouds fail to materialize, we will earn a reasonable return. But if the skies darken and stock prices decline substantially, we will have minimized losses by keeping the original investment small. More importantly, we will be prepared to act with conviction while others are selling.

We think this combination of patience and detailed research is a key part of the investment approach at Ewing Morris.

Flexible Fixed Income Fund LP Commentary

As it relates to investing in the Flexible Fixed Income Fund, we have responded to the current market environment by increasing the portfolio's allocation to what we refer to as "Structural Value" investments. These investments comprise 45% of the portfolio today.

Structural Value investments are usually defined by shorter payback periods and situations where the investment's return is driven through performance of specific obligations found in the bond's contract itself and/or other critical contracts at the company, like a merger agreement. Since the drivers of return are narrow, these types of investments are well-positioned to produce stable returns, regardless of changes in the "weather" of the economy and market.

A particularly helpful aspect of having a high allocation to Structural Value investments is that the portfolio will see a near-term return of principal from concluding investments. This increases our cash reserves and provides us the opportunity to take advantage of a more favourable market environment in the future.

For example, March saw the conclusion of two Structural Value investments which represented 6% of the portfolio:

Late in March, Earthlink Holdings, a US Telecom and IT services provider completed an early redemption of its first lien bonds due in 2020 at a 5.3% premium. The early redemption was part of a corporate merger transaction between Earthlink and Windstream Holdings that concluded this month.

On its maturity date (March 31), Pengrowth Energy Corporation paid back its 6.25% convertible debentures at par. The debentures were of modest size (\$127 million), they were the company's first debt obligation coming due in 2017 and Pengrowth had \$530 million in cash available to pay back the debentures. Given Pengrowth's excellent liquidity, it was exceedingly unlikely that changes in the price of oil would define the outcome of this investment.

March was host to some weakness in the high yield bond market and we were able to initiate a new Structural Value investment as the two earlier-mentioned investments released fresh cash to be put back to work. The Flexible Fixed Income Fund remains cautiously positioned, yet fully invested.

Miscellaneous

PricewaterhouseCoopers have completed their year-end audit of the Opportunities Fund LP and Flexible Fixed Income Fund LP 2016 financial statements. The financials, along with our Annual Letter to Limited Partners, have been mailed. Please let us know if you have not already received your T5013 or RRSP tax slips by mail.

As always, please do not hesitate to contact us if you have any questions.

Yours sincerely,



John Ewing
Co-Founder



Darcy Morris
Co-Founder

About Ewing Morris:

Ewing Morris & Co. Investment Partners Ltd. is a value driven Canadian investment firm established in September 2011 by John Ewing and Darcy Morris. Our aim is to achieve preservation and growth of capital for our Limited Partners by focusing on inefficient markets. We do this by relying on fundamental analysis, high conviction and the use of flexible capital. We manage two distinct strategies with a focus on small and mid-cap companies. We manage investments for individuals as well as charitable organizations, institutions and corporations.

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