Flexible Fixed Income Fund LP
An investment partnership managed by Ewing Morris & Co. Investment Partners Ltd.

Investor Presentation
July 2017
Guiding Principle

“Our goal is to build an investment firm of which we would want to be clients.”

- John Ewing & Darcy Morris
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# Ewing Morris Overview

## Who We Are

- Value driven Canadian boutique investment firm established in 2011
  - $262 million of assets under management
  - Equity Fund 11.2% annualized net return to limited partners<sup>(1)</sup>
  - 6 investment professionals
- Flexible Fixed Income Fund (the “Fund”)
  - 13.8% annualized net return to limited partners since inception
  - Consistent firm-wide investment approach and philosophy

## Fund Objectives

- Invest – carefully selected, primarily high yield fixed income securities
- Control Risk – through cross-capital structure hedging
- Target Stable 5-7% Net Returns – in a variety of market conditions

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<sup>(1)</sup> As of June 30, 2017. Equity Fund inception was September 9, 2011. Fund inception was February 1, 2016. Past returns are not indicative of future results. Please note, all AUM and returns are estimates until NAV is finalized.
Ewing Morris Team

Experienced team with strong Advisory Board and governance structure

John Ewing, CFA
Co-President & Chief Investment Officer

Darcy Morris
Co-President & Chief Executive Officer

Matt Irwin, MBA
Chief Financial & Operating Officer

Advisory Board
Martin Connell
Linda Haynes
Rosamond Ivey
John MacIntyre
David Peterson
Harry Rosen
Bill Stedman
David Wilson

Portfolio Management & Research Team

Anthony Hammill, CFA
Co-Portfolio Manager

Randy Steuart, CFA
Portfolio Manager

Jenna Gillies, CFA
Investor Relationships

Perry Schultz
Operations

Lee Matheson, CFA
Co-Portfolio Manager

Alex Ryzhikov, CFA
Portfolio Manager

Emily McConnell
Investor Relationships

Jason Bernstein, CFA
Operations

Client Service Team

Jenna Gillies, CFA
Investor Relationships

Perry Schultz
Operations

Emily McConnell
Investor Relationships

Advisory Board
Martin Connell
Linda Haynes
Rosamond Ivey
John MacIntyre
David Peterson
Harry Rosen
Bill Stedman
David Wilson

Jill Hamblin
Office Manager

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Flexible Fixed Income Fund

Randy Steuart, CFA

- Flexible Fixed Income Fund Portfolio Manager
- Previously Portfolio Manager at Norrep Capital Management
  - Co-managed the firm’s $300 million in fixed income assets
  - Focused on the high yield market
- Prior to Norrep spent 7 years at Marret Asset Management
  - Partner at 24 years old
- B.Com., Sauder School of Business, UBC
  - Leslie Wong Fellow, UBC’s Portfolio Management Foundation
Unconvincing Canadian Fixed Income Alternatives

<table>
<thead>
<tr>
<th>Where do we play? How do we win?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Grade</td>
</tr>
<tr>
<td>✗ High interest rate risk</td>
</tr>
<tr>
<td>✗ Commoditized product</td>
</tr>
<tr>
<td>Leveraged Investment Grade</td>
</tr>
<tr>
<td>✗ High leverage</td>
</tr>
<tr>
<td>✗ Medium credit risk</td>
</tr>
<tr>
<td>✗ Crowded strategy</td>
</tr>
<tr>
<td>Ewing Morris Flexible Fixed Income Fund</td>
</tr>
<tr>
<td>✓ Low leverage</td>
</tr>
<tr>
<td>✓ Lower interest rate risk</td>
</tr>
<tr>
<td>✓ Credit risk <strong>hedging</strong></td>
</tr>
<tr>
<td>✓ Scarce skill set</td>
</tr>
</tbody>
</table>

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How We Are Different

The Flexible Fixed Income Fund targets stable 5-7% net returns

The key attributes of the Fund that contribute to its uniqueness are:

► The Fund focuses on the high yield bond market
► The Fund utilizes low levels of leverage
► The Fund manages risk through equity hedging
► Our interests are aligned
► Innovative and compelling fee structure
## Structural Advantages

<table>
<thead>
<tr>
<th>Hybrid Team</th>
<th>Fund Size</th>
<th>Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Integrated research team leverages business and structural insights</td>
<td>• Ability to quickly establish a desired position size</td>
<td>• Uncommon risk management process that is rare in Canada</td>
</tr>
<tr>
<td>• Identify inefficiencies created by the equity vs. debt market silos</td>
<td>• Size is a challenge to investment returns in less liquid asset classes</td>
<td>• Capital structure arbitrage strategy can reduce risk and enhance return</td>
</tr>
<tr>
<td>• Complementary equity and debt investment philosophy</td>
<td>• Larger funds may ignore smaller bond issues entirely</td>
<td>• Equity shorts underpinned by business valuation expertise</td>
</tr>
</tbody>
</table>
Attractive Long Term Asset Class

High Yield Index 30 Year Return History

Bank of America Merrill Lynch US HY Index

CAGR 8.5%

(2) Year-to-date 2017.

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Track Record

The Fund has generated strong returns at below average risk exposures

<table>
<thead>
<tr>
<th></th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns(1)</td>
<td>1.4%</td>
<td>3.0%</td>
<td>1.1%</td>
<td>1.4%</td>
<td>0.9%</td>
<td>2.3%</td>
<td>1.1%</td>
<td>0.6%</td>
<td>1.1%</td>
<td>-0.2%</td>
<td>0.9%</td>
<td>1.4%</td>
<td>0.3%</td>
<td>0.7%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Cumulative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Since Inception(2)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20.1%</td>
</tr>
</tbody>
</table>

-20% 0% 20% 40% 60% 80% 100%

(1) As of June 30, 2017. Class P Master Series. Fund returns are net of all fees and expenses. Past returns are not indicative of future performance.
(2) Fund inception was February 1, 2016.
(3) Unencumbered Cash
Note: Exposures are monthly averages.
Market Environment
What Actually Happens When Interest Rates Rise?

High yield bonds have lower sensitivity to rising interest rates

Mean bond performance during 14 periods of rate increases: 1998-2014

<table>
<thead>
<tr>
<th>Mean period change</th>
<th>10 yr Treasury (1)</th>
<th>Investment Grade (2)</th>
<th>High Yield (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-5.53%</td>
<td>-0.48%</td>
<td>4.99%</td>
</tr>
</tbody>
</table>

(1) BofA Merrill Lynch 10-year US Treasury Index.
(2) BofA Merrill Lynch US Corporate Index.
(3) BofA Merrill Lynch US Cash Pay High Yield Index.
What Happened Recently When Interest Rates Rose…

…from June 30th to January 31st 2017?

<table>
<thead>
<tr>
<th>Fund/Metric</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>US 10 Year Treasury</td>
<td>-7.3%</td>
</tr>
<tr>
<td>BofA Merrill Lynch US Corporate Index</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Ewing Morris Flexible Fixed Income Fund</td>
<td>+7.0%</td>
</tr>
</tbody>
</table>

Rate Risk Now Extends to Many Equities

Telecom, utilities and real estate stocks faced a pullback when rates rose

Source: Bloomberg, November 2016.
....Attractive Relative to Other Asset Classes

How much more return do you need in equities to justify bearing 2x the volatility and 2x the valuation?

<table>
<thead>
<tr>
<th>Metric</th>
<th>S&amp;P 500</th>
<th>High Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings Yield(^{(1)})</td>
<td>5.7%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Volatility(^{(2)})</td>
<td>11.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Capitalization/EBITDA(^{(3)})</td>
<td>10.5x</td>
<td>4.5x</td>
</tr>
</tbody>
</table>

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(1) Forward 12M Earnings Yield: S&P 500, Yield To Worst BAML Index, Bloomberg; September 2016.
(2) 100 Day Annualized Volatility: S&P 500, HYGNV Index; September 2016.
Investment Strategy
Similar to our equity strategy, we like to describe our fixed income investment strategy using the analogy of a sport’s playbook. A team with only one play can often be stopped but a championship team will have practiced multiple plays to ensure success regardless of game conditions and the opposition’s tactics.

Our Playbook involves four defensive plays:
# Summary of Key Terms

<table>
<thead>
<tr>
<th><strong>Alignment of interests</strong></th>
<th>Substantially all of the PM’s liquid investable assets are invested in the Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fees</strong></td>
<td><strong>Class P</strong>: 0.75% management fee + 20% profit allocation after 5% preferred return</td>
</tr>
<tr>
<td></td>
<td><strong>Class T</strong>: 1.50% management fee</td>
</tr>
<tr>
<td><strong>Perpetual High Water Mark</strong></td>
<td>If an investor suffers a loss, performance fee does not start accruing until after the previous losses have been recouped</td>
</tr>
<tr>
<td><strong>Lockup provision</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td>Monthly; 45 day notice Within 1 year - 4% early redemption fee payable to LP</td>
</tr>
<tr>
<td></td>
<td><strong>Reporting</strong> Monthly investment statements and pricing Quarterly commentary Annual Limited Partners Meeting</td>
</tr>
<tr>
<td><strong>Custodian/Prime Broker</strong></td>
<td>TD Securities</td>
</tr>
<tr>
<td><strong>Fund Administrator</strong></td>
<td>Apex Fund Services</td>
</tr>
</tbody>
</table>
Early 2016 Faced Short Term Headline Risk…

*The safest and most potentially profitable thing is to buy something when no one likes it.* – Howard Marks

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Fictional Chart:

- **Nov-2015**
- **Jan-2016**
- **Mar-2016**
- **May-2016**
- **Jul-2016**

**BAML US High Yield Index**

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- **Investors pour $7.4bn YTD into US high yield bond funds** – Forbes
- **We expect to continue to build our holdings [in high yield] over the coming months.”** – GMO 4Q 2015 Investor Letter
- **“The sell-off will be stopped if yields rise to a level where long-term investors (pension funds and insurance companies, for example) think the bonds are a bargain.”** – The Economist
- **“Junk-bond losses pile up as traders flee any whiff of bad news.”** – Globe and Mail
- **“Junk-Bond Rout Deepens, Sending Shockwaves Through Stocks and Other Markets.”** – Wall Street Journal

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...Creating an Attractive Entry Point

The last time the high yield market finished a year with a yield above 8% was 2011 and the high yield index then saw a 15.6% return in 2012

High Yield Index & Historical Return

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>8.3%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>15.6%</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>9.9%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>17.5%</td>
<td></td>
</tr>
</tbody>
</table>


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Common Misconceptions of High Yield

► High Yield = Bad Company

► Risk from Rising Interest Rates

► Insufficient Compensation for Risk
High Yield ≠ Bad Company

There are many good quality high yield issuers

Source: Company filings, Bloomberg.

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Did you know....

The high yield market is large and broad

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What Drives Fixed Income Returns?

High yield bond prices are dominated by company performance

Driver of Returns: Interest Rates
- Treasury: 2%
- Investment Grade: 4%
- High Yield: 2%

Driver of Returns: Company Performance
- Investment Grade: 6%
- High Yield: 8%

Interest rates and credit spreads indicative estimates, for illustrative purposes.
Equity Hedging

High yield companies tend to have challenges which cause equity value attrition

- Equity hedging enables investors to access high yields without bearing the equivalent credit risk
- The bond position will be hedged against this risk by shorting a lesser amount of equity
- If the stock price increases against the position, it is likely that the bond price will increase as well

Portfolio Overview

<table>
<thead>
<tr>
<th>Bond</th>
<th>Equity Hedge</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% bond @ 90</td>
<td>25% hedge</td>
</tr>
</tbody>
</table>

Margin of Safety Against Stock Price Increases

- Bond Return
- Breakeven Equity Return (1 yr)

40% price increase
10% cash on cash yield

Positions and returns are indicative estimates, for illustrative purposes.
## Realized Hedged Investments

Capital structure arbitrage strategy can reduce risk and enhance return

<table>
<thead>
<tr>
<th>Investment Example</th>
<th>Bond Return(^{(1)})</th>
<th>Equity Return(^{(1)})</th>
<th>Enhancement / Drag From Equity Hedge</th>
<th>Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cenovus Energy</td>
<td>39%</td>
<td>21%</td>
<td>-5%</td>
<td>34%</td>
</tr>
<tr>
<td>Precision Drilling</td>
<td>32%</td>
<td>-4%</td>
<td>+1%</td>
<td>33%</td>
</tr>
<tr>
<td>Hecla Mining</td>
<td>64%</td>
<td>92%</td>
<td>-23%</td>
<td>41%</td>
</tr>
<tr>
<td>Seagate Technology</td>
<td>36%</td>
<td>-7%</td>
<td>+2%</td>
<td>34%</td>
</tr>
<tr>
<td>Rona(^{(2)})</td>
<td>3%</td>
<td>2%</td>
<td>-0.5%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Examples are not representative of entire portfolio. Past returns are not indicative of future performance.

(1) Returns are as of date that hedge or entire position was exited.

(2) Preferred shares.
Realized Investment – Seagate

Event risk is the most important risk to manage in high yield

Event Shocks – Debt and Equity

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Impact Duration</th>
<th>Equity</th>
<th>Bond</th>
<th>Impact @ 30% Hedge Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/13/2016</td>
<td>Earnings Warning</td>
<td>2 days</td>
<td>-25%</td>
<td>-5%</td>
<td>+3%</td>
</tr>
<tr>
<td>4/28/2016</td>
<td>Earnings Release</td>
<td>3 days</td>
<td>-28%</td>
<td>-6%</td>
<td>+3%</td>
</tr>
<tr>
<td>7/11/2016</td>
<td>Earnings Release</td>
<td>1 day</td>
<td>22%</td>
<td>10%</td>
<td>+3%</td>
</tr>
</tbody>
</table>

Example is not representative of entire portfolio. Past returns are not indicative of future performance.
# Contact Us

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darcy Morris</td>
<td>Co-President</td>
<td><a href="mailto:darcymorris@ewingmorris.com">darcymorris@ewingmorris.com</a></td>
<td>416.640.2791</td>
</tr>
<tr>
<td>Randy Steuart</td>
<td>Portfolio Manager</td>
<td><a href="mailto:randysteuart@ewingmorris.com">randysteuart@ewingmorris.com</a></td>
<td>416.548.5616</td>
</tr>
<tr>
<td>Jenna Gillies</td>
<td>Vice President</td>
<td><a href="mailto:jennagillies@ewingmorris.com">jennagillies@ewingmorris.com</a></td>
<td>416.548.5615</td>
</tr>
</tbody>
</table>
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. The Fund has a flexible investment mandate. Therefore the Fund’s composition is materially different than major indices. We have listed the BAML US High Yield Index because it is representative of a widely known & followed investment alternative.