EWING MORRIS INVESTMENT PARTNERS LTD.

Ewing Morris Small Cap Strategy

An investment strategy managed by Ewing Morris & Co. Investment Partners Ltd.

Investor Presentation
November 2018

Ewing Morris & Co. Investment Partners Ltd.
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Guiding Principle

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

– John Ewing & Darcy Morris

Contents

Who We Are

Our Firm

- Toronto-based; founded in 2011
- Partner-owned; no succession risk
- Manage C$338 million in assets for individuals and institutions
- We are our biggest client ($50mm)
- 6 investment professionals; 75 years of cumulative experience

Our Philosophy

- Enterprising Investors
- IRR Focused
- Collaborative process, independent decision-making
- Aligned to add value

Experienced Team

6 Investment Professionals with 75 years cumulative experience

Alex Ryzhikov manages the Small Cap Strategy

- Calvin Potter Fellow, Kenneth Woods Portfolio Management Program
- 8 years' professional investment experience (Ewing Morris, Burgundy)

Investment Team

Investment Partner	Background	Industry Experience	Investment Partner	Background	Industry Experience
John Ewing	Burgundy	11 years	Alex Ryzhikov	Burgundy	8 years
Darcy Morris	Burgundy	11 years	Anthony Hammill	Broadview, AIC	19 years
Lee Matheson	Broadview, AIC	15 years	Randy Steuart	Norrep, Marret	12 years

Advisory Board

Martin Connell, O.C.	Former CEO & Chair of Conwest Energy, Co-Founder of Ace Bakery	**Rosamond Ivey**	Head of JRS Investments	**Harry Rosen, O.C.**	Founder of Harry Rosen, Inc.
Ira Gluskin	Founder of Gluskin Sheff	**John MacIntyre**	Founder & Principal of Birch Hill Private Equity	**Bill Stedman**	Former CEO of Pembina Pipeline, former CEO of ENTx Capital
Linda Haynes, O.C.	Co-Founder of Ace Bakery	**David Peterson, O.ONT.**	Chair of Cassels Brock, former Premier of Ontario	**David Wilson**	Former Vice-Chairman of Scotiabank, former Head of Ontario Securities Commission

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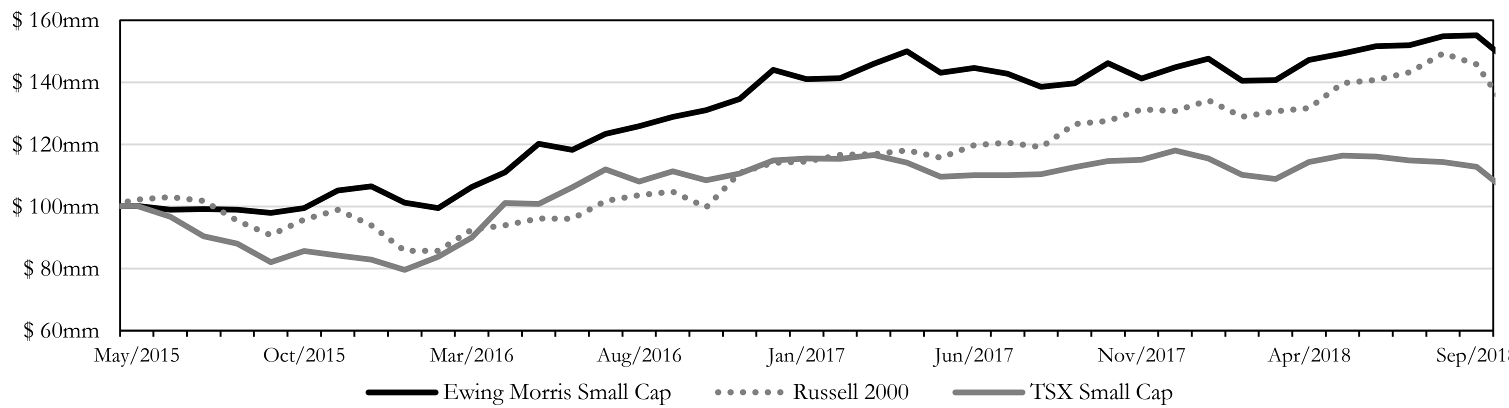
How Have We Done?

How Have We Done?



	Ewing Morris Small Cap Strategy(1)*	Russell 2000 Index (TR)	TSX Small Cap Index (TR)
2018 (YTD)(2)	**1.1%**	**0.8%**	**-11.68%**
2017	**0.6%**	**14.6%**	**2.7%**
2016	**35.3%**	**21.3%**	**38.5%**
2015(3)	**6.5%**	**-6.0%**	**-17.0%**

*Based on a representative managed account. Returns are unaudited. Past returns are not indicative of future performance. Fund returns are gross of all fees and expenses.
(1) Fund inception was May 1, 2015. (2) As of October 31, 2018. (3) Returns between EM SC fund inception on May 1 and December 31, of 2015

How Have We Done?

Added value relative to major North American benchmarks

	Ewing Morris Small Cap Strategy(1)*	Russell 2000 Index (TR)	TSX Small Cap Index (TR)
Annualized Returns (SI)	11.7%	7.8%	1.2%
Cumulative Returns (SI)	47.4%	30.0%	4.3%
Annualized Alpha vs. Index	--	7.4	10.2

*Based on a representative managed account. Returns are unaudited. Past returns are not indicative of future performance. Fund returns are gross of all fees and expenses. All figures as of October 31, 2018. Fund inception was May 1, 2015.

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How Have We Done?

With a portfolio that looks nothing like the benchmarks.

	Ewing Morris Small Cap Strategy[(1)]*	**Russell 2000 Index (TR)**	**TSX Small Cap Index (TR)**
Active Share (most recent month)	--	99.7%	98.2%
Standard Deviation	11.4%	14.7%	13.7%
Beta vs. Index	--	0.4	0.4
Correlation vs. Index	--	0.6	0.5
Max Drawdown	7.7%	16.8%	20.6%

Based on a representative managed account. Returns are unaudited. Past returns are not indicative of future performance. *Fund returns are gross of all fees and expenses. All figures as of October 31, 2018. Fund inception was May 1, 2015.

How We Do It ?

“The Perspective Edge”

No easily definable advantages:

1. Same board / identical markets
2. Same access to information
3. Same environment

On the right, Magnus Carlsen (top ranked chess player), on the left, a “chess hustler” from New York

However…..

A Different Perspective

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Traditional Perspective

Most managers tell a compelling story:

- Fund size
  - Smaller funds: our opportunity set is larger, more nimble, etc.
  - Large funds: we have more resources, attract best talent, etc.

- Market focus – “we” practice our craft in inefficient markets

- Approach – deep due diligence, meet with 1,000 management teams a year, have investors on the ground, run proprietary analytics, etc.

Yet, 84% of U.S. actively managed equity funds underperform their benchmark over 15 years* - why…?

*Standard & Poor’s 10th annual fund performance scorecard (2012)

Traditional Perspective

Under a traditional approach, managers:

- Allow descriptive statistics and marketing to dictate their investment approach. This leads to:
  - **Shorter-term focus** on share price and its volatility as opposed to focusing on value
  - **Highly diversified portfolios**
  - **Closet indexing**
  - **Value-detracting constraints**

- <u>Are incentivized to grow assets at the expense of adding value.</u>

We believe there is a better way:

Our Perspective

Investment Approach

Enterprising Investors – focused on IRR as opposed to statistically motivated

Use several mental frameworks to achieve target IRRs

Small investment team where PM actually completes the research

Incentives

Paid to add value relative to client's opportunity cost

Size constrains reinforce performance focus

Focused on results rather than on asset gathering

Benchmarking

Client discretion on appropriate benchmark

View benchmarks as an opportunity cost not model portfolio

Make investment decisions independently of benchmark composition

" To add value, a manager must make different decisions, which are better than the average market participant."

- Alex Ryzhikov

Investment Approach

Style: Enterprising

An example of what we mean by IRR focused approach:

Original investment thesis: 17% IRR expectations over a three year period primarily focused on earning power expansion. Conservatively, we assumed no multiple expansion or accretive acquisitions, although identified these as possibilities for additional upside.

	Current	Exit T+3
Revenue	100	106
EBITDA Margin	*6%*	*10%*
EBITDA	6.4	10
Trading Multiple	7.7	7.7
Enterprise Value	49	78
Implied 3 Year IRR		16.8%

Investment Approach

Style: Enterprising

An example of what we mean by IRR focused approach:

Actual Performance: Benefited from an accretive acquisition, better than expected margin expansion and multiple expansion:

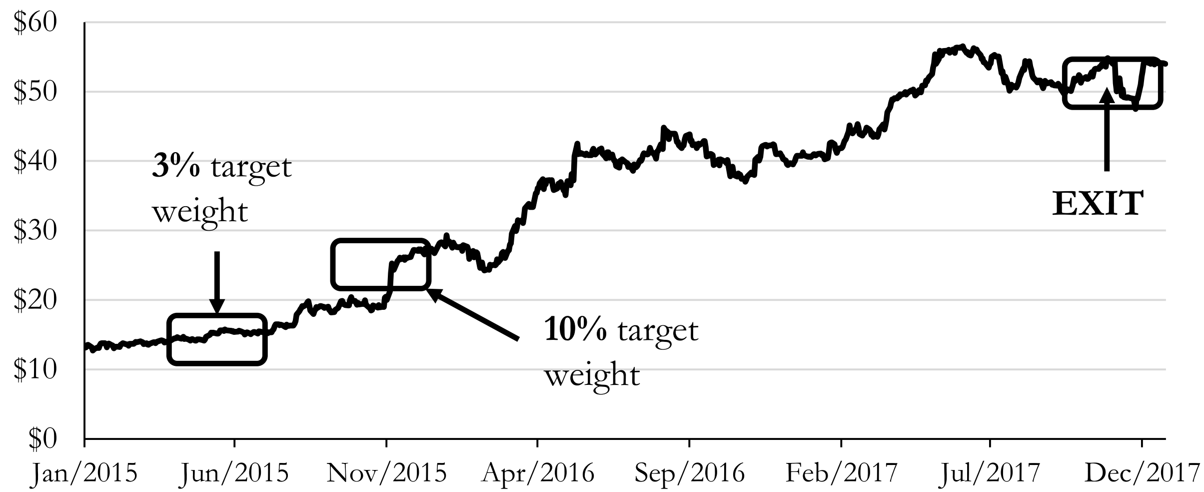
	Current	Exit T+3	Actual Results
Revenue	100	106	118
EBITDA Margin	*6%*	*10%*	*13%*
EBITDA	6.4	10	15
Trading Multiple	7.7	7.7	9.42
Enterprise Value	49	78	145

Investment Approach

Style: Enterprising

An example of what we mean by <u>IRR focused approach:</u>

<u>Execution:</u>



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Investment Approach

Style: Enterprising

We use multiple mental frameworks to achieve target IRRs

Great Businesses ***= Economics***	Great Capital Allocators ***= People***

Cheap Assets ***= Price***

Note: Please refer to the Playbook case studies for examples on each investment play.

Investment Approach

Research Team Design

Structure:

Collaborative:
- Shared investment philosophy
- Belief in intellectual honesty
- **Collaboration across capital stack**
- Open office environment
- Generalist model
- No consideration given to index composition

Decision making:

Independent:
- Each portfolio manager is responsible for fundamental research and is accountable for the buy/sell decision.
- With support from other PMs play "Devil's Advocate" role.

Note: Please refer to the Playbook case studies for examples on each investment play.

How Are We Aligned?

Incentives

Incentivized to Add Value

Key Elements:

- ETF like management fee: 0.20%

- Size Constrains reinforce return focused mandate:
  - First 12 months: no more than $100M of outside capital
  - Year 36 months: no more than $300M of outside capital
  - First 7 years: no more than $700M in outside capital

- Performance fee is paid on value added relative to your opportunity cost - with S&P TSX Small Cap and Russell 2000 ETF being the obvious possible reference indices.

- Meaningful Ewing Morris principal invested alongside our clients reinforces alignment of interests.

Benchmarking

Benchmark Agnostic

- Over the long-term North American Small Cap equities have produced high single-digit nominal returns.* Given the current interest rate environment, it seems likely that future returns are likely to lag this historic record.

- To add value we aim to achieve low- to mid-teen returns on capital deployed.

- We don't expect, nor strive, to outperform every year, but aim to do so over a 3-5 year time horizon.

- Thus we leave the choice of the appropriate benchmark to our clients.

* Capital IQ - annualized Russell 2000 returns May 1, 1992–2018 YTD

A Better Alignment

Passive Fee Model: Only Pay Active Fees if Outperform Index by 3%

	Passive Index	Active Manager	Ewing Morris Small Cap Strategy
Possible to Outperform a Benchmark	✗	✓	✓
Low Management Fee (0.2%)	✓	✗	✓
Only Pay for Value-Add	✗	✗	✓

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Appendix

High Conviction Portfolio

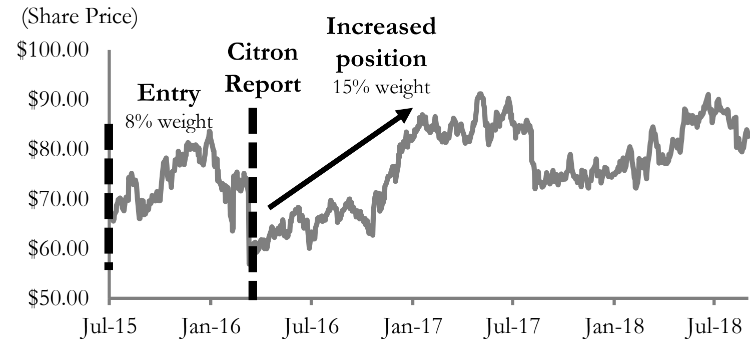
Well-positioned with top 10 investments accounting for 64% of portfolio

Investment Play	Sector	Weight	Thesis Highlights
Great Capital Allocator	Internet Services	13%	Expected strong growth in underlying earning power with potential for meaningful multiple expansion
Cheap Asset	Industrial Manufacturing	9%	Meaningful discount to sum-of-the-parts valuation, with expected asset monetization over the next six months
Cheap Asset	Energy Services	7%	Statistically cheap assets, attractive balance sheet, option on higher oil prices
Great Capital Allocator	Transportation	6%	Statistically cheap, strong earnings fundamentals, attractive inorganic growth opportunities
Cheap Asset	Energy Services	6%	Statistically cheap asset, with potential for meaningful earning power acceleration on the back of new capital projects in Western Canada
Great Capital Allocator	Oil & Gas Refining & Marketing	6%	Strong earnings fundamentals, attractive inorganic growth opportunities
Cheap Asset	Industrial	6%	Attractive valuation with a number of options for further earning power growth
Cheap Asset	Energy Services	5%	Attractive valuation with financial flexibility to make accretive acquisitions
Cheap Asset	Document Services	3%	Statistically cheap, strong pipeline of accretive acquisitions
Great Capital Allocator	Real Estate	3%	Attractive valuation, strong earnings fundamentals
	Total	64%	

Examples are not representative of entire portfolio. As of Q3: September 30, 2018.

Great Capital Allocator Example – J2 Global, Inc.

Investment Summary	
Investment Type:	Great Capital Allocator
Time Horizon:	July 2015 – August 2018
Market Cap[(1)]:	USD$4.0 billion



Investment Overview

- Internet/Software (cloud services and online media)
  - Digital media accounts for $^{1}/_{3}$ of earnings power
  - Diminishing relative contribution from eFax
  - However, eFax business remains stable
- Excellent track record of allocating capital
  - Compounded FCF per share at 15% for 10yrs
  - Little incremental debt
  - Long runway in large, fragmented industries
- Valuation
  - Attractively priced on FCF basis
  - Flexible balance sheet

Citron Short Report

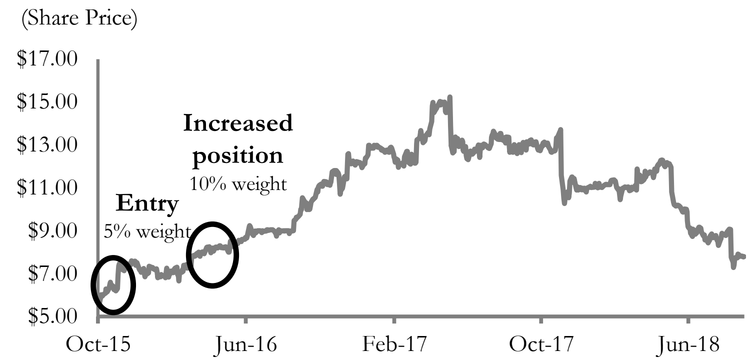
- In May 2016, Andrew Left published a short report
- J2 Global's stock fell over 25%
- Reviewed the report for any new information
  - Spoke with management, former employees, and people who had done business with the co.
- Concluded that the report was entirely promotional
- Took the opportunity to increase position to 15%
- The stock has rebounded by 40%
- Valuation still remains attractive for a company growing earning power at 20% annually

Example is not representative of entire portfolio. Past returns not indicative of future performance.

(1) Source: CapIQ as of August 31, 2018

Cheap Asset Example – ZCL Composites Inc.

Investment Summary	
Investment Type:	Cheap Asset
Time Horizon:	September 2015 – August 2018
Market Cap(1):	$240mm



Investment Overview

- ► Manufacturer of fiberglass tanks
  - 70% of revenue from petroleum end market
  - Replacement demand triggered by insurance
- ► Sustainable competitive advantage in North America
  - Uneconomical to ship tanks from abroad
  - Duopoly in North America
  - Exclusive coverage of Canada and Midwest
- ► High returns on tangible capital (23% 10-yr avg)
  - Significant pricing power; tanks are small portion of customers' cost with high cost-of-failure
- ► Other business segments were dragging profits, divestments announced

Investment Highlights

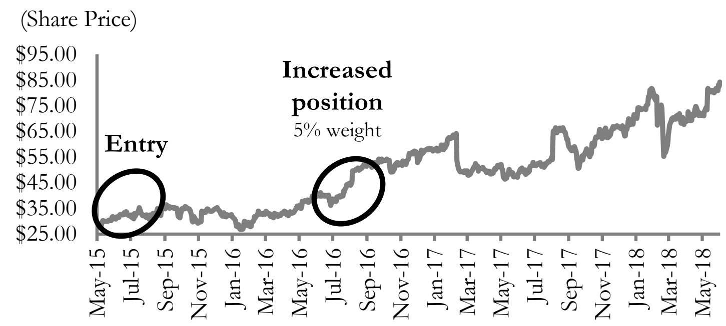
- ► Stable demand and attractive valuation
- ► $0.50 special dividend in March 2016
- ► Regular dividend increased 60% from $0.05 to $0.08
- ► Darcy Morris elected to the Board in May 2016

Example is not representative of entire portfolio.

(1) Source: CapIQ as of August 31, 2018

Great Business Example – Ubiquiti Networks, Inc.

Investment Summary	
Investment Type:	Great Business
Time Horizon:	May 2015 – June 2018
Market Cap[1]:	USD$6.3 billion



Investment Overview

- ► Telecom/enterprise equipment manufacturer
- ► Focused on Small and Mid sized businesses
- ► Unlike traditional vendors:
  - Uses third party distributors
  - Growing community of users support products
- ► Allowed company to sell at disruptive low prices
- ► Young CEO bootstrapped the business
  - Grew from zero to $5 billion market valuation
  - Still owns close to 70% of the business

Investment Highlights

- ► Highly profitable (35% operating margins)
  - Low capital needs >200% ROIC
- ► Durable competitive advantage
  - Diversified end-markets
- ► Applying unique business models to new markets
  - Free option that one succeeds
  - Enterprise business went from zero to >$280 million in revenue in less than 5 years

Example is not representative of entire portfolio. Past returns not indicative of future performance.

(1) Source: CapIQ as of June 30, 2018

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Indicative Terms

Management Fee	0.2% per annum plus 30% profit allocation above benchmark return.
Minimum Commitment	USD$10 million / C$12.5 million
Liquidity	Monthly; 45 day notice
Reporting	Monthly investment statements and pricing Quarterly commentary Annual Limited Partners Meeting

Team Biographies

Alex Ryzhikov, CFA – Partner, Investments. Alex joined Ewing Morris & Co. Investment Partners in May 2014 as an Investment Analyst. Prior to his current role, Alex worked as an Investment Analyst at Burgundy Asset Management where he was lead analyst on the U.S. Large Cap team. Alex graduated with distinction from Concordia University in 2011 with a Bachelor of Commerce degree in Accounting and a Minor in Finance. He also holds a Bachelor of Science degree in Microbiology and Immunology from McGill University. At Concordia, Alex was part of Kenneth Woods Portfolio Management and John Molson Case Competition programs. As part of John Molson Case Competition Program, he won multiple awards in national and international business case competitions.

John Ewing, CFA – Co-President and CIO. John is responsible for portfolio management and investment research, and contributes to investors relationships and general operations. Prior to co-founding Ewing Morris & Co. Investment Partners, John was Vice President and Director of Research at Burgundy Asset Management. As Director of Research, John led a team of thirteen analysts and was a member of Burgundy's management committee. John was also the lead analyst for Burgundy's Canadian Small Cap Fund. John graduated with distinction from the University of Guelph in 2005 with an Honours Bachelor of Science in Engineering degree and a Minor in Business Administration. He won the President's Trophy as Guelph's top student-athlete in 2005 and has completed the Investment Management Workshop at Harvard Business School.

Darcy Morris – Co-President and CEO. Darcy is responsible for managing the firm's relationships, and also contributes to investment research and general operations. Darcy currently serves on the board of the Toronto Public Library Foundation as well as ZCL Composites Inc. (TSX: ZCL). Prior to co-founding Ewing Morris & Co. Investment Partners, Darcy was a Portfolio Manager at MacDougall, MacDougall & MacTier Inc. where he built a successful investment management business. He previously worked at Burgundy Asset Management. Darcy received an Honours Bachelor of Arts (Political Studies) degree from Queen's University in 2004 and was awarded the Canadian Investment Manager designation in 2010. He also won the Scholastic Award for combining high standards of play with academic excellence as a member of the Peterborough Petes in the Ontario Hockey League in 1998.

Contact Us

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