



Flexible Fixed Income Fund LP

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

Investor Presentation February 2019

Ewing Morris & Co. Investment Partners Ltd.
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Who is Ewing Morris & Co.?

Our Firm

- ▶ Toronto-based; founded in 2011
- ▶ Manage \$338 million for individuals & institutions
- ▶ We are our biggest client (\$50mm)
- ▶ Partner-owned firm; no succession risk
- ▶ 6 investment professionals; 80 years of cumulative experience

Our Philosophy

- ▶ Target less competitive market niches (small cap stocks, high yield bonds)
- ▶ Capital preservation is top priority
- ▶ Business analysts, not traders

Experienced Team

6 Investment Professionals with 80 years cumulative experience

Randy Steuart manages the Flexible Fixed Income Fund

- Leslie Wong Fellow, UBC’s Portfolio Management Foundation
- 11 years’ professional high yield experience (Ewing Morris, Norrep, Marret)

Investment Team

<u>Investment Partner</u>	<u>Background</u>	<u>Industry Experience</u>	<u>Investment Partner</u>	<u>Background</u>	<u>Industry Experience</u>
John Ewing	Burgundy	12 years	Alex Ryzhikov	Burgundy	9 years
Darcy Morris	Burgundy	12 years	Anthony Hammill	Broadview, AIC	20 years
Lee Matheson	Broadview, AIC	16 years	Randy Steuart	Norrep, Marret	13 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

What Makes Us Different?

Where do we play? How do we win?

Investment
Grade

- × High interest rate risk
- × Commoditized product

Leveraged
Investment
Grade

- × High leverage
- × Medium credit risk
- × Crowded strategy

Ewing Morris
Flexible Fixed
Income Fund

- ✓ Low leverage
- ✓ Lower interest rate risk
- ✓ Credit risk hedging
- ✓ Scarce skill set

How Have We Done?

We have delivered returns superior to high yield bonds with less volatility than the investment grade bond market.

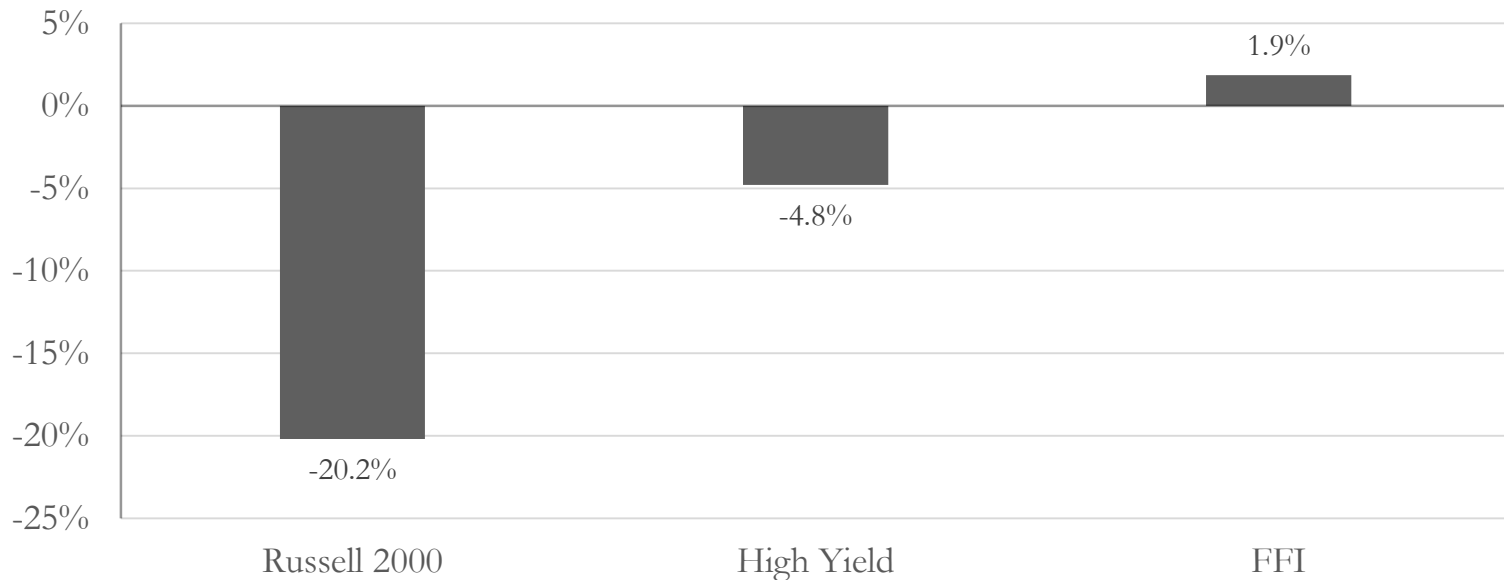
Annualized Return Since Inception		Volatility	
EM Flexible Fixed Income Fund	9.1%	EM Flexible Fixed Income Fund	2.3%
Canadian Investment Grade	2.9%	Canadian Investment Grade	3.2%
U.S. High Yield	7.5%	U.S. High Yield	4.7%

Returns as of January 31, 2019, Class P – Master Series; based on monthly return set
 Inception date for the Flexible Fixed Income Fund LP was February 1, 2016; Total Return of iShares U.S. High Yield Bond (CAD-hedged) ETF (XHY); Total Return of iShares Canadian Corporate Bond ETF (XCB)

Superior Stability & Downside Protection

In turbulent markets...

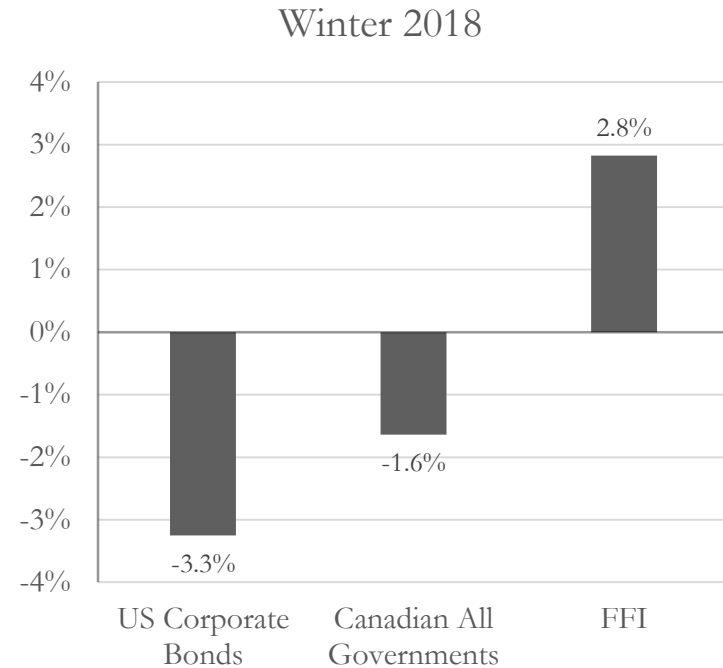
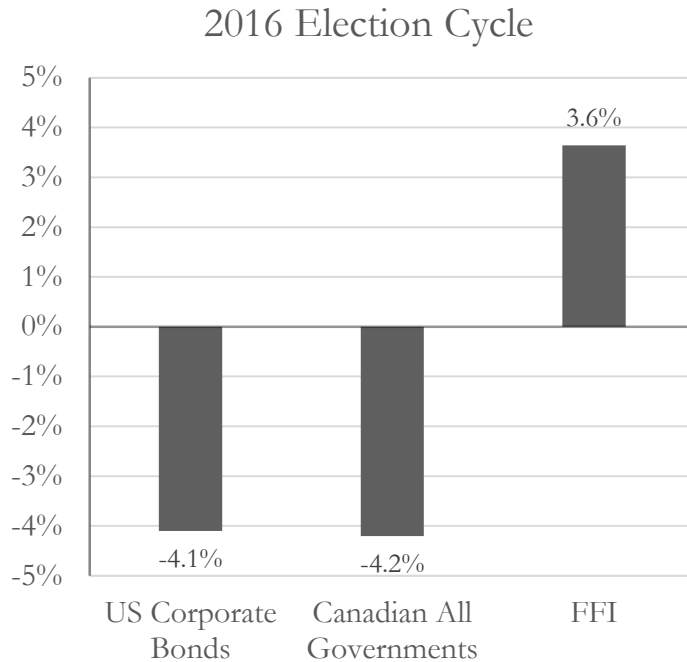
Stock and High Yield Bond Market Performance - Q4 2018



Returns as 9/30/2018 – 12/31/2018, FFI reflects Class P – Master Series, Returns of iShares U.S. High Yield Bond (CAD-hedged) ETF (XHY); Return of iShares Canadian Corporate Bond ETF (XCB)

Superior Stability & Downside Protection

...and in rising rate environments



FFI returns reflect Class P – Master Series; Returns from iShares U.S. High Yield Bond (CAD-hedged) ETF (XHY); iShares Canadian All-Government Bond ETF (XGB); 2016 Election Cycle 7/29/2016 – 12/31/2016; Winter 2018 11/30/2017 – 4/30/2018

How Did We Do It?

Our Advantages

Structure

- ▶ **Size:** Nimble Assets; \$89mm
- ▶ **Hybrid Team:** Integrated, team-based research approach
- ▶ **Flexibility:** Unconstrained investment strategy

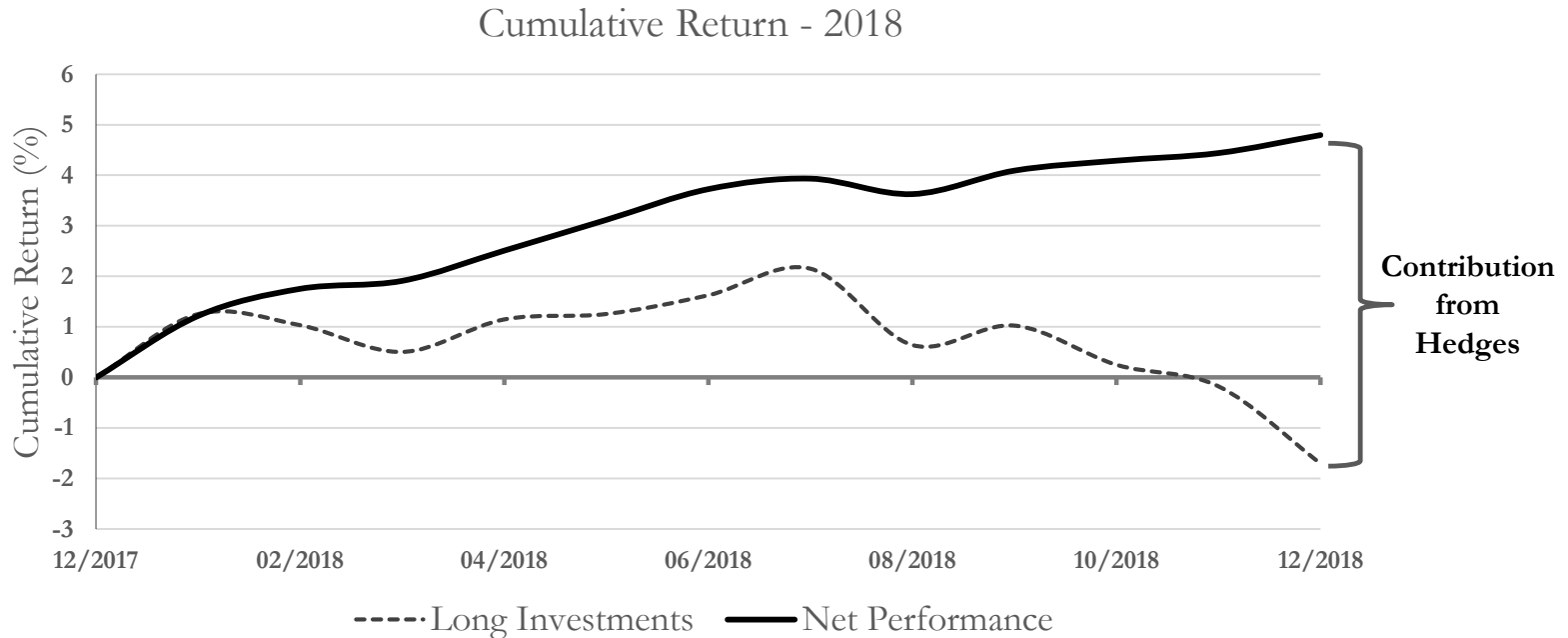
Our Advantages

Expertise

- ▶ **Cross-market and capital structure information discovery**
- ▶ **Dedicated focus on small and mid cap companies**
- ▶ **Equity hedging specialists**

Intra-Year Risk Control

Hedges provided significant stability to returns



As of December 31, 2018

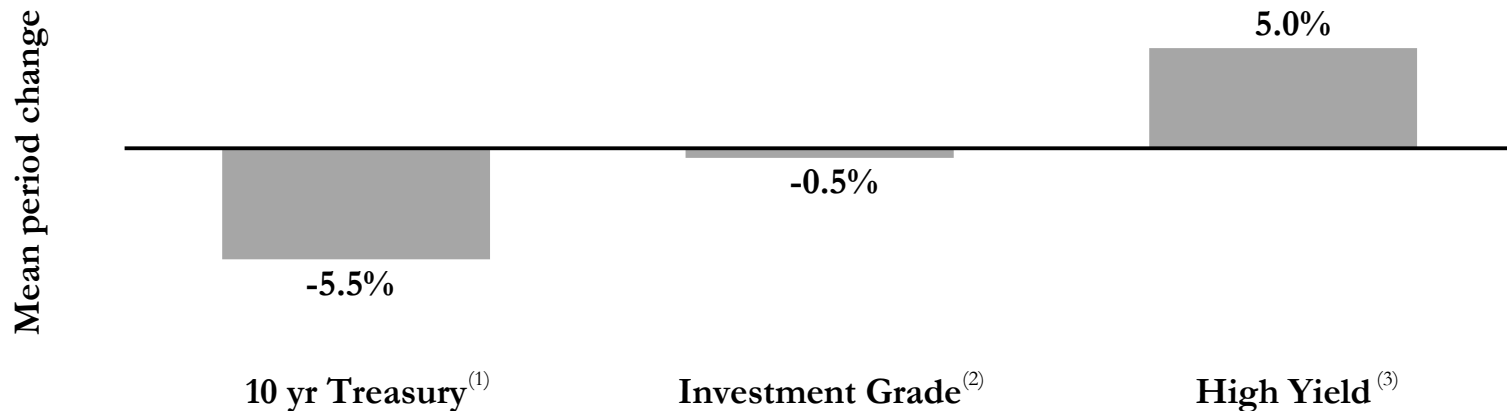
Why Now?

- ▶ Portfolio currently yields 7.7%
- ▶ High yield works when interest rates rise
- ▶ All-weather track record

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



Sources: TIAA-CREF Asset Management; “The Enduring Case for High Yield Bonds”, May 2015.

(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.

Summary of Key Terms

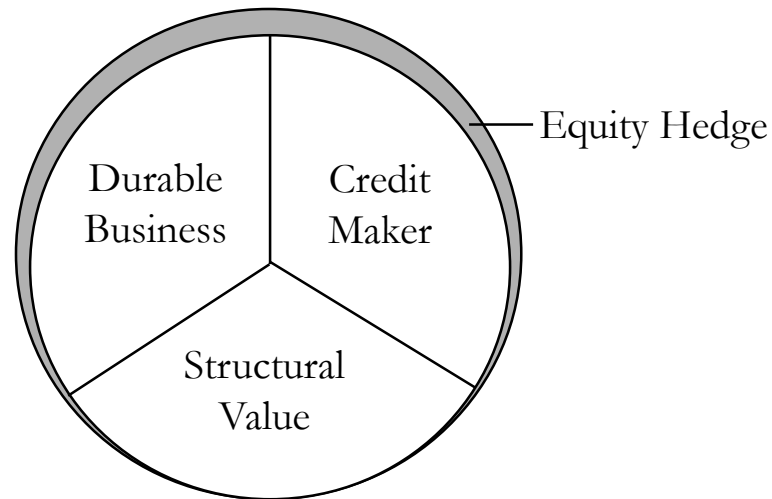
Alignment of interests	Substantially all of the PM's liquid investable assets are invested in the Fund
Fees	Class P: 0.75% management fee + 20% profit allocation <u>after</u> 5% preferred return Class T: 1.50% management fee
Perpetual High Water Mark	If an investor suffers a loss, performance fee does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

Appendix

Investment “Playbook”

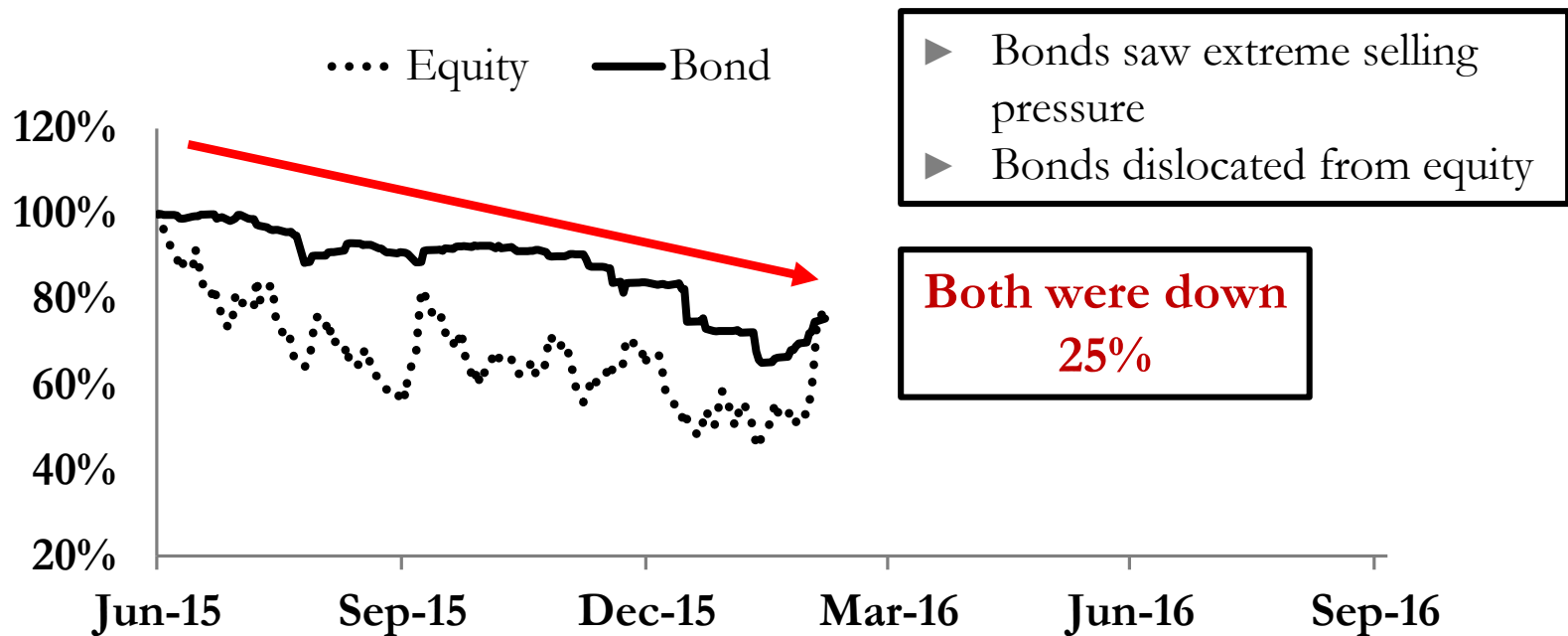
Similar to our equity strategy, we like to describe our fixed income investment strategy using the analogy of a sport’s playbook. A team with only one play can often be stopped but a championship team will have practiced multiple plays to ensure success regardless of game conditions and the opposition’s tactics.

Our Playbook involves four defensive plays:



Debt versus Equity Case Study

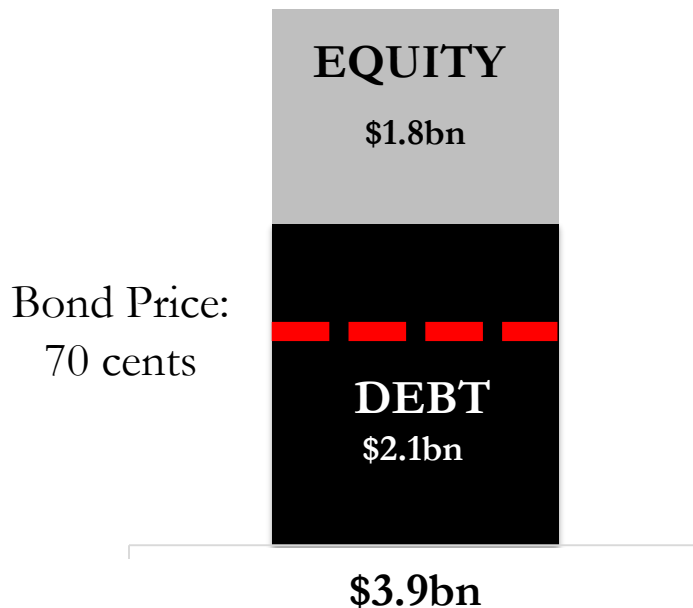
Precision Drilling



Debt versus Equity Case Study

Precision Drilling

PRECISION DRILLING



Equity investors were comfortable (\$1.8B market cap) but bonds at 70 cents perceived bankruptcy risk

Debt versus Equity Case Study

Precision Drilling

But actual risk was far lower than perceived

- ✓ High Asset Coverage
- ✓ Manageable Obligations
- ✓ Strong Liquidity

~2x

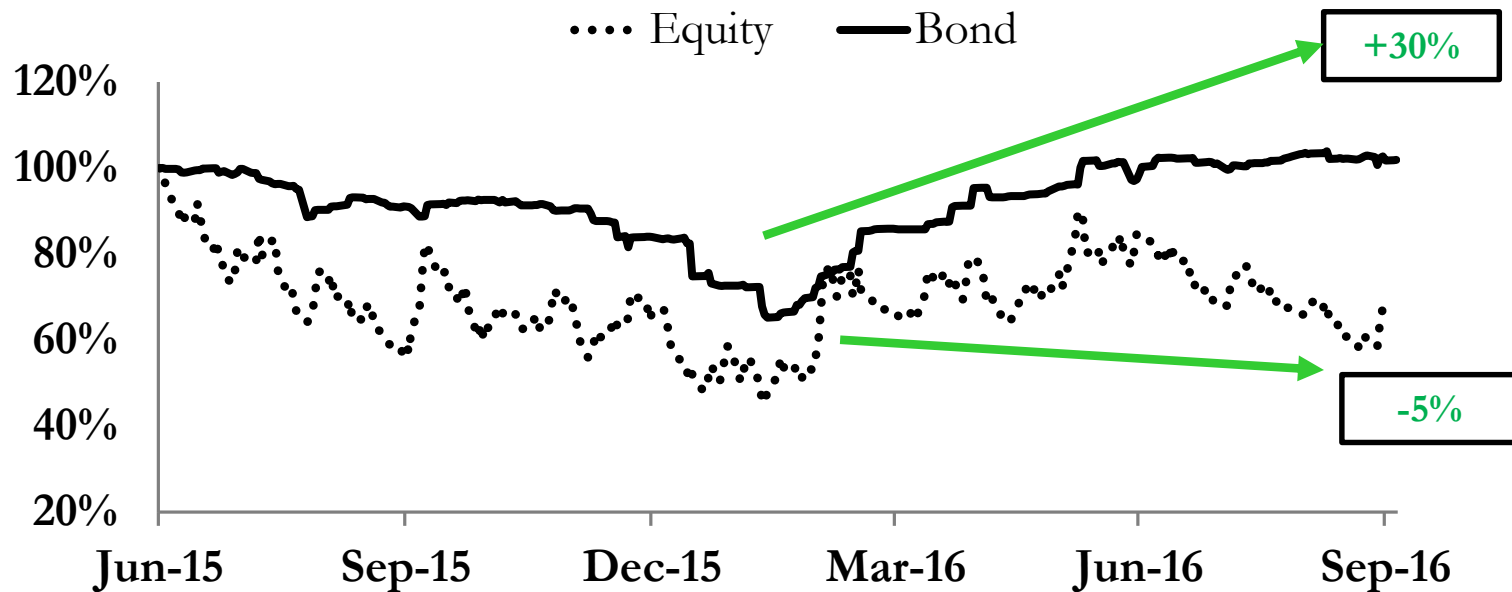
2019

\$1.2bn

Debt versus Equity Case Study

Precision Drilling

What Happened?



Equity Hedging

- ▶ We hedge select high yield bond investments with stock
- ▶ We hedge when equity investors overlook credit & business risk
- ▶ Substantially reduces position and portfolio risk & volatility

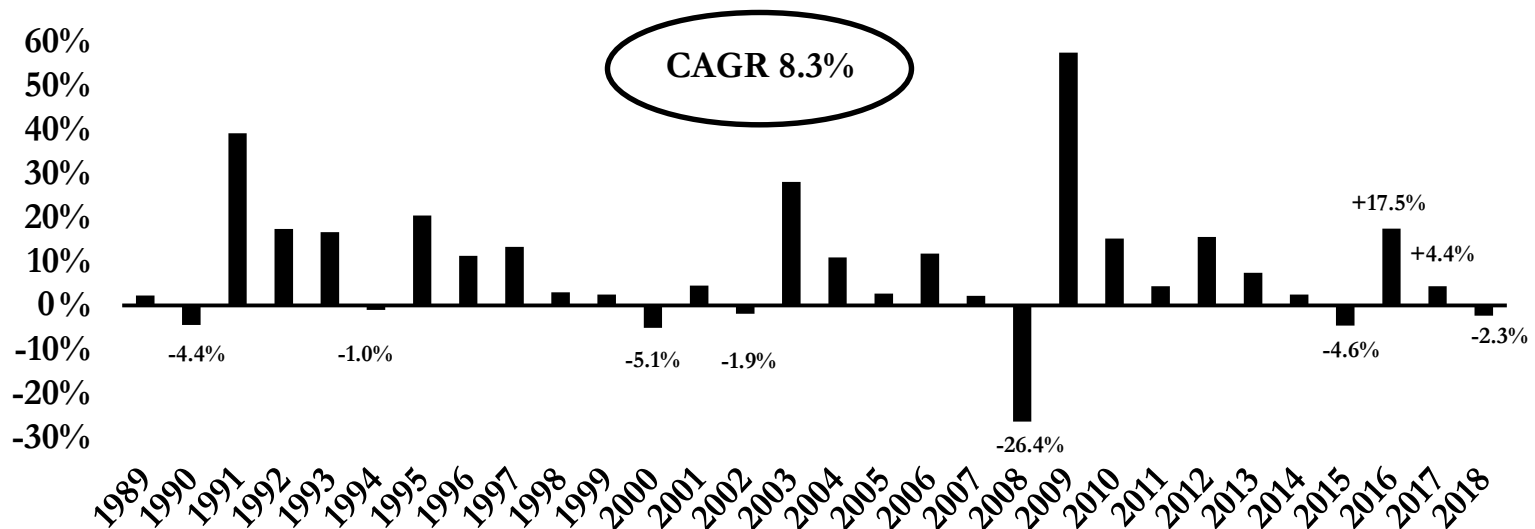
Equity Hedging

- ▶ We consider select equity hedging as ‘insurance’ for our bond investments
- ▶ We underwrite these hedges with an expectation of earning modest returns over the long-run
- ▶ Since Inception, Equity Hedges have contributed 2.6 percentage points to cumulative returns, despite only 5% average short position

Attractive Long Term Asset Class

High Yield Index 30 Year Return History⁽¹⁾

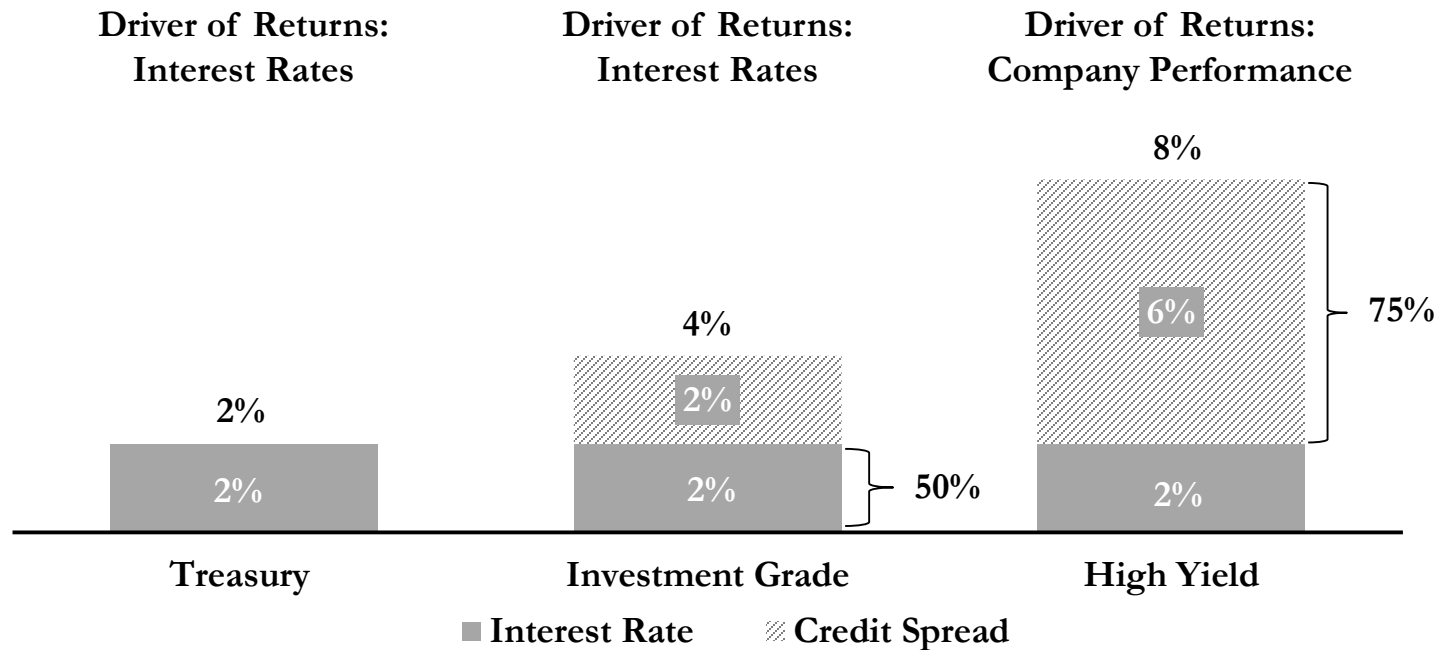
Bank of America Merrill Lynch U.S. HY Index



(1) Bank of America Merrill Lynch U.S. HY Index, FRED, December 31, 2018.
Year-to-date 2018.

What Drives Fixed Income Returns?

High yield bond prices are typically dominated by company performance



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

Contact Us

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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.