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EWING MORRIS & CO. 2019 ANNUAL INVESTOR MEETING

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Toronto Reference Library, April 9, 2019 – Toronto

Remarks have been edited for clarity.

Darcy Morris:

My name is Darcy Morris. I'm the co-founder of Ewing Morris. It is my pleasure to welcome you all here today. I'd like to extend a special warm welcome to those of you that have travelled from out of town; I think we have some people that have come in from the United States. It's great to see such a turnout. I think it's reflective of how engaged our investor base is. I know people are busy, with a lot of important things going on, so we appreciate that you made the time to be here.

I see a lot of new faces as well as some familiar ones. For those of you that have been here in years past, I'm sure you are all eagerly anticipating John's annual Mike Tyson joke.

I'd like to thank the organizing committee of today, my sister-in-law Emily Connell, my wife Devin and Jill Hamblin, our office manager, amongst others. As I said, days like this don't organize themselves and this is a slightly bigger production than we've had in the past.

To start, I thought I would introduce the newest members of our team so people can put a face to the name. I'd like to introduce Oghale Omosa – Oghale joined us in January 2018. She moved here recently with her young family from Nigeria and Oghale runs the client administration element of our business. Cynthia Chan joined us in the past year as well – Cynthia is a CPA and is our corporate controller. Breann Kirincich – Breann formerly practiced at Osler, Hoskin & Harcourt LLP and was at BlackRock before joining Ewing Morris as our General Counsel and Chief Operating Officer. We are glad to have her. Will Jones – Will, formerly a partner at Borden Ladner Gervais, was Ewing Morris' outside legal counsel. He is quickly establishing himself as a great investment counsellor. In fact, that's his nickname – "The Counsellor".

Going back to 2011 when we founded the firm, it was just John and I sitting in a small office above a coffee shop in mid-town Toronto. We had cobbled together about $3,000,000 and we set about protecting and growing that capital. In 2012, we had our first annual meeting in this building in a small room downstairs. There were about 10 people there… and you have to count my parents, my in-laws and Uncle Phil and Aunt Hope! When I look out at this crowd today, I'm truly amazed at the group that's gathered here… many senior leaders of Canadian business and emerging and future captains of Canadian industry. When I reflect on our organization, as I normally do around this time, I'm also amazed at the small but remarkable group of people that we've somehow been able to attract to our team. And that's the theme of today - **the Wisdom of <u>Our</u> Crowd.**

The outline will be similar to that of past years. There will be short presentations from John and I, followed by Q&A. There's going be a lot of time for Q&A and that's by design. The real purpose is to discuss whatever it is that might be on your minds when it comes to investing in our partnership. John and I and our team really view ourselves as the managing partners in a joint enterprise with all of you. You can think of us as part of the senior management team of an operating business that you are invested in privately. And for those of you that aren't currently investors, and we do know who you are, we welcome you to participate as well.

Today, I am going to give a brief overview of the firm, a sort of state of the union, then I'd like to speak about the future of the investment management industry, as I see it, and finish by talking about the future of the firm. If you are going to remember one thing from my remarks today, I hope it is that Ewing Morris is better positioned than we ever have been to continue protecting and growing our clients' capital.

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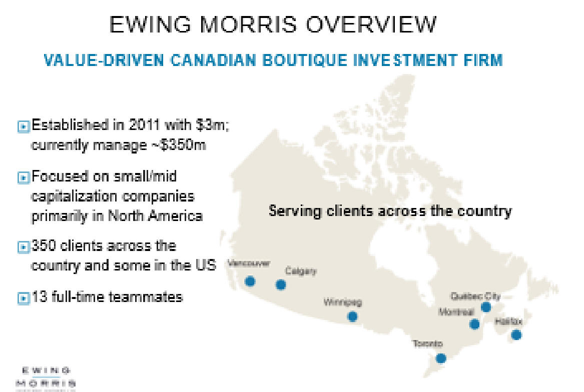
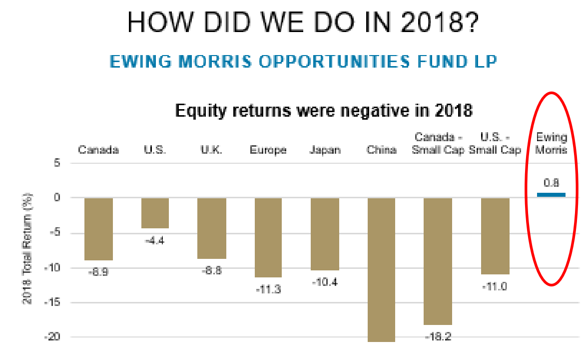
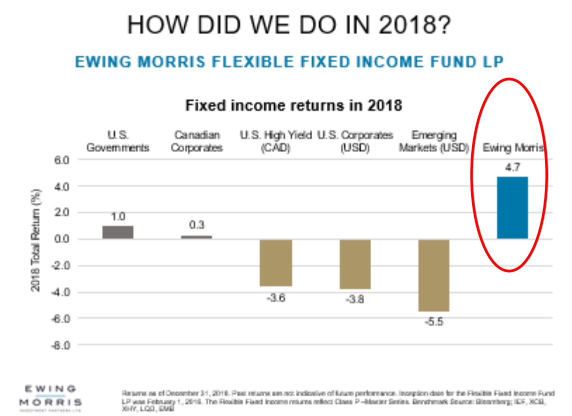
Today, we manage about $350 million in capital. We maintain our investment focus on North American small and mid-sized companies, although we have had success in the United Kingdom, New Zealand and Australia. We have 350 clients across the country and in the United States and we have 13 full-time teammates. What I think is important to mention here is that collectively the principals at Ewing Morris remain the largest client, and that 8 out of our 13 teammates are equity partners in the firm. That means our investment interests are aligned and we think and act like owners because we are owners.



2018 was a year that most investors would like to forget. Equity markets around the world were negative, small cap was even worse, yet the Ewing Morris Opportunities Fund managed to deliver a positive 1% return. On a relative basis, a solid return, but far from satisfactory in absolute terms.



When it comes to the Ewing Morris Flexible Fixed Income Fund, it bears reminding that most people invest in bonds in order to earn a stable income and offset the volatility in their equity portfolios. With that context, 2018 was a miserable year. US government and Canadian corporate bonds failed to achieve the rate of inflation and sub-categories of bonds were negative as well. The Ewing Morris Flexible Fixed Income Fund, however, achieved a 4.7% net return, after fees and expenses.



While it is important to monitor short term results, and I think our 2018 returns demonstrate the resilience of our portfolios, we manage money for the long term. Since inception, Ewing Morris Opportunities Fund has returned just under 10% net of all fees and expenses; the Ewing Morris Flexible Fixed Income Fund returned just over 9%, again net of all fees and expenses.

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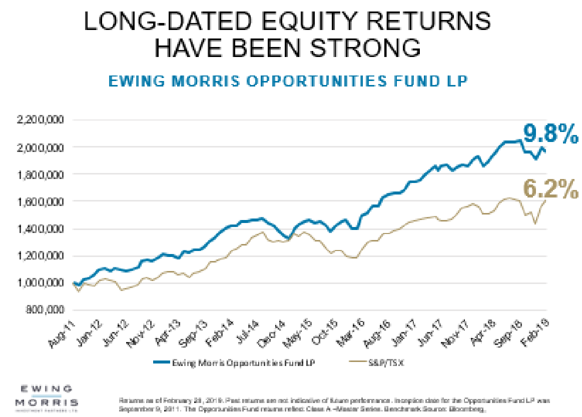
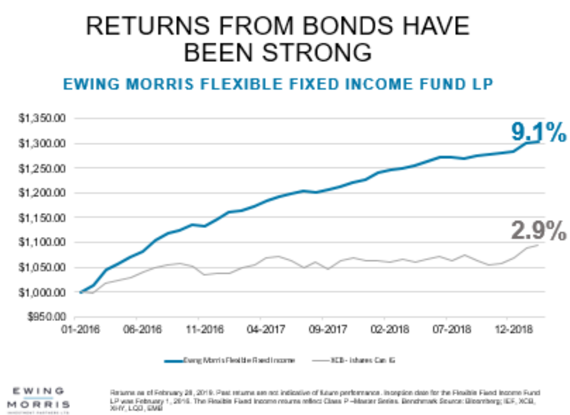
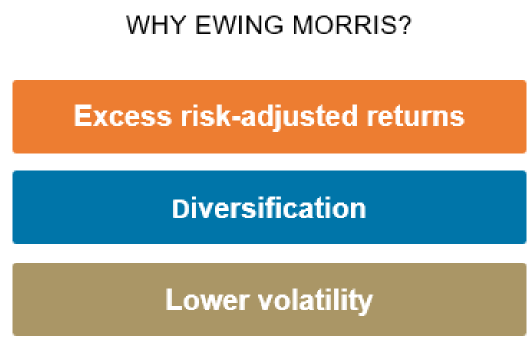




So, returns have been strong, and we expect them to continue to be strong. The reasons why are:

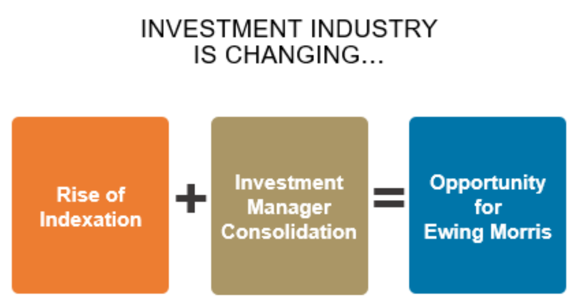
- We don't own the market. We own a collection of businesses whose economics and competitive advantages we understand, that are usually run by people we know and trust. On occasion, we will engage with our businesses in order to create value;
- We focus our efforts on what we call opportunity-rich areas of the market - places where nobody's looking - the cracks of the capital markets. These are places like small and mid-cap equities and high yield bonds;
- Lastly, we maintain high underwriting standards and will hedge to protect our downside.

When you invest at Ewing Morris, you can broadly expect three things: above-average returns without excessive risk, diversification, and lower volatility than traditional portfolios.



Now I'd like to talk about the future of the investment management industry as we see it. There are two trends that investors like you should be aware of.

The first is the rise of indexation, the second is asset manager consolidation, both of which are leading to opportunities for Ewing Morris.



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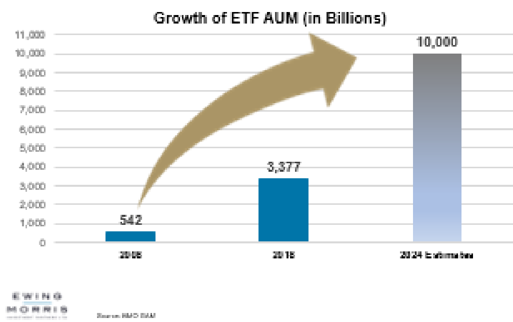
Over the past decade, the investment management landscape has increasingly become dominated by low-cost passive ETFs or index investing. It doesn't show any sign of slowing down.

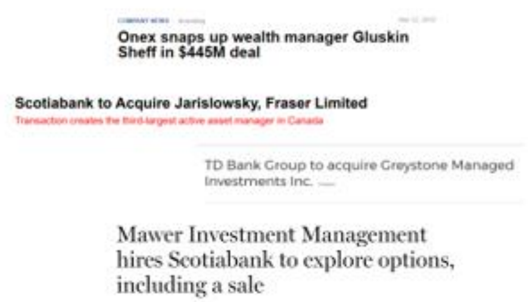
RISE OF INDEXATION



The idea behind index investing is something called the efficient market theory. This states that all known information and insights are always reflected in current stock prices so generating long-term above-average returns is impossible.

The second wave people should be paying attention to is manager consolidation. Our larger peers are merging together to form larger pools of capital in order to combat the fee pressure brought by ETFs.

MANAGER CONSOLIDATION LEADING TO LARGER POOLS OF CAPITAL



Recently, Onex bought Gluskin Sheff here in Toronto. In Montreal, Jarislowsky Fraser was bought by Scotia. In Saskatchewan, TD acquired Greystone and in Alberta, Mawer, a $50 billion independent asset manager, acknowledged that they are exploring a sale process.

A lot of the founders of these firms started their businesses in the late 80s and early 90s and are ready to retire – oftentimes a sale is the best exit.

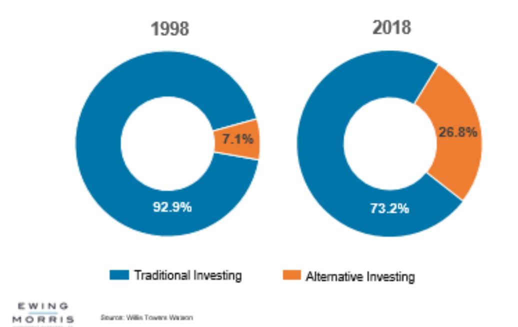
The result is that there are now less active managers to do the hard work and the due diligence required to keep these markets theoretically efficient.

We are now witnessing a barbell, or bifurcation, of the investment management landscape where traditional long-only equity and fixed income investing is being hollowed out as people move towards low-cost passive investing on one hand, and specialized alternative investing, on the other.

THIS CREATES A
BARBELL INVESTMENT LANDSCAPE

This is evidenced by the growing allocation to alternative investing. That includes funds like ours, real estate, infrastructure and so on.

INCREASING ALLOCATIONS TO
SPECIALIZED ALTERNATIVE INVESTING



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In Canada, these trends are also pushing capital towards the largest, most liquid TSX-listed securities, increasing what we call corporate orphans. These are businesses without controlling shareholders that are neglected by investment banks and have small insider ownership.

INCREASING NUMBER OF CORPORATE ORPHANS IN CANADA

ORPHANS ARE COMPANIES BETWEEN $50MM – $1BN IN MARKET CAP

Without controlling shareholders

Neglected by investment banks

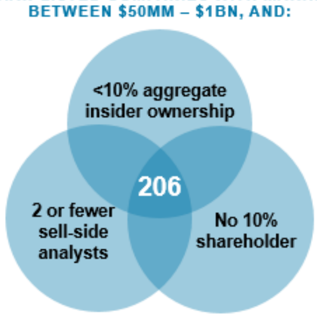
With small insider ownership

To evaluate this phenomenon, we ran a screen and found 206 companies that had the following characteristics:

- Aggregate insider ownership – that's management and the board together - owning less than 10%;
- No single shareholder owning more than 10%; and
- Two or fewer sell-side analysts. These are our corporate orphans here in Canada.

MANY ORPHANED SMALL CAPS

CANADIAN-LISTED COMPANIES WITH MARKET CAP BETWEEN $50MM – $1BN, AND:



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Figures from Capital IQ, as of April 30, 2018. Companies listed on the TSX and TSX-V.

The result is an increasing disconnect between public market stock prices and private market valuations.

The following are the change-of-control transactions in our portfolios, that Ewing Morris has been actively involved in. You can see the premium paid versus the last traded price.

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COMPANY ACQUIRED	TRANSACTIONAL DETAIL	TYPE OF BUYER	EWING MORRIS BOARD REPRESENTATION
ZCL Composites (2019)[1]	*46% premium*	Strategic	✓
Echelon Insurance (2018)	*42% premium*	Strategic	✓
WesternOne (2018)	*35% premium*	Strategic	✓
AlarmForce Industries (2017)	*71% premium*	Strategic	✓

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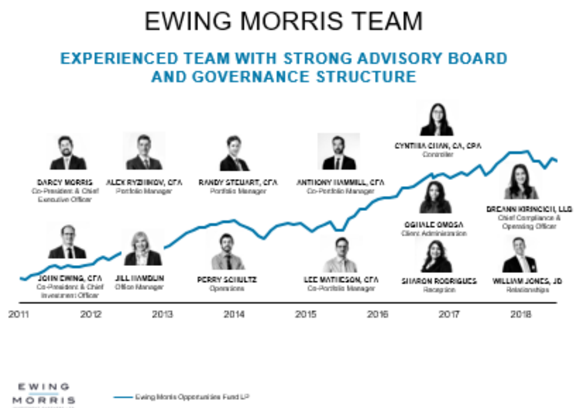
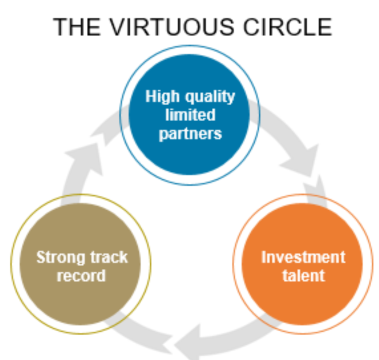
[1] Proposed plan of arrangement transaction with Shawcor Ltd. announced January 20, 2019. Subject to securityholder and regulatory approvals.

In each circumstance, Ewing Morris had an active representative on the board and played a role in creating and unlocking shareholder value. John is going to discuss a couple of these in detail.

I would like to close by speaking about the future of our firm. As I mentioned earlier, when we started, it was just John and I with little more than a good story to tell. But there were a few people that believed in us and entrusted us with capital. That capital allowed us to attract teammates like Jill Hamblin and Alex Ryzhikov and, together, this small team was able to put up solid investment results. And then there were more of you, our limited partners, and that capital allowed us to attract even more members to our team; people like Randy Steuart and Perry Schultz, Lee Matheson and Anthony Hammill. Together, this core group continued to put up strong results and suddenly, there were more of you. Some of you even told your friends and family. We quickly realized that we needed to continue to invest in our operations and our client service and so we added people like Will, Breann, Cynthia, Oghale and Sharon.

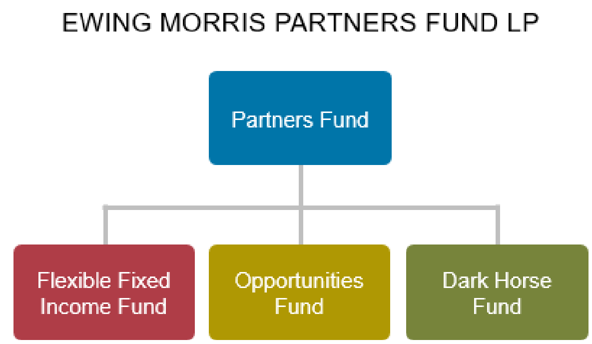


The reason I'm telling you this is because it's important. It creates what I call a virtuous circle, where high quality limited partners like you help us to attract and retain investment talent, and investment talent, organized properly, helps deliver strong results, which helps us to attract more high-quality limited partners and so on.



When I think of the future, I think of continuing this cycle. This virtuous cycle of positive feedback is critical to our continued success, and if we can achieve that, then the odds are very high for everyone in this room to achieve great investment results going forward.

There's one item of business before I turn it over to John. I would like to formally announce the launch of the Ewing Morris Partners Fund, which was created on March 1, 2019. This is a balanced fund composed of Ewing Morris Opportunities Fund, Ewing Morris Flexible Fixed Income and Broadview Dark Horse. The Partners Fund really accomplishes two things for our investors: (1) it allows you to invest through one vehicle to access the best ideas of the entire team; and (2) it allows us to dynamically reallocate your investment between the underlying funds. We think this is a great solution for our private clients.



Thank you and with that, I'll turn it over to John.

John Ewing:

Thanks, Darcy. I'm going to begin with a story. In 1906, a British scientist named Francis Galton went to a country fair. As he wandered around, he stumbled upon a contest where participants were invited to guess the weight of an ox, with the ox itself being awarded as prize to the closest correct guess. Later, Galton asked to study the entries, and he realized that the average guess of the 800 entries was within a single pound of the ox's real weight – closer, in fact, than the winning guess itself. It is from this little story that the idea of the wisdom of crowds has been inherited and the theme for today's remarks.

Galton later learned that crowds could beat individuals under certain circumstances. The crowd needed to consist of experts, like the farmers at the fair, and they needed to have formed their judgments independently of each other. Or, said another way by Ray Kroc, the founder of McDonalds: if a corporation finds itself with two executives who think alike, one of them is unnecessary.

What I'm going to do today is introduce the investment team at Ewing Morris in a very deliberate way to show you how we've tried to harness the wisdom of crowds as we build our team. And then I'm going to walk you through two case studies of successful investments we've made to show you that team in action. When I'm done, I hope you have a better appreciation for who we are, how we invest and why we're different.

And with that, your starting lineup. First up, Randy Steuart, who is facetiously known around the office as Dr. Randy Risk-Taker. Now, you might think that you would have to take a lot of risk to make a 9% annual return in bonds. Nothing could be further from the truth. It has to be that way. One of the big differences between investing in bonds instead of stocks is that you can't double or triple your money in bonds. The only way to have differentiated results is by avoiding mistakes, and Randy is an all-star risk avoider. One of the ways that he does that is through equity hedging, and as we've learned through conversations with many of you over time, it is very counterintuitive to think that you can *reduce* risk by shorting stocks. But it's true, and you can, and hopefully someone will ask Randy about that in the Q and A. The second thing that Randy does exceptionally well is read contracts, and we'll see an example of that in a moment with the case studies.

Next in the order, Alex Ryzhikov - The Scientist. Now, many of you don't know that Alex's undergrad degree is in microbiology and he's always trying to prove the null hypothesis. I think every investment team needs a purebred skeptic, and Alex is ours. My older sister's first car as a teenager was a Lada and if anyone has any experiences with Ladas, you know that Russians are not famous for their automobiles. But if it's a skeptic you need, you'd be hard pressed to do better than someone born and raised in a communist country. The second thing that Alex brings to the table is the way he'll think about position sizes with investments, and we'll see an example of that and how that added value.

Then we have Lee Matheson - The Detective. You wouldn't believe the gems that Lee can pull out of a financial statement. If Lee isn't to be found hunched over a stack of hard copy annual reports, yellow highlighter in hand, you could probably find him in his office with his phone glued to his ear, working his network for information. Another thing that Lee has really brought to the table is an incredible skill set as a corporate director in Canada, and we'll see how that added value in a moment too.

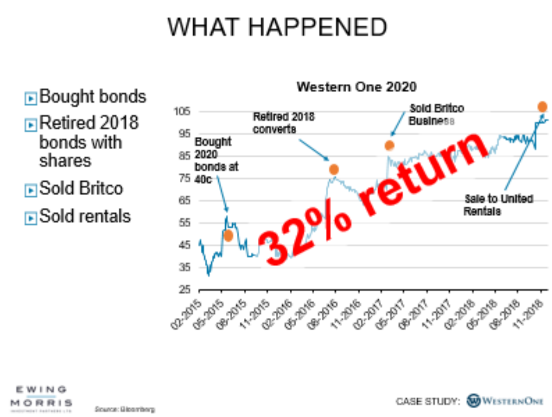
And that brings us to Darcy, The Optimist. I don't think Darcy gets due credit for his contributions to the investment results at Ewing Morris. The thing that he brings to the table is his ability to cut through all the noise, focus on the key issue of an investment topic, and to remind the team why we're here in the first place by asking what the upside potential is and not just getting ground down in the weeds. That's the team. Now let's see them in action.

The first case study is a company called WesternOne. WesternOne is a Vancouver-based construction equipment rentals business, but also had a small side business called Britco that made remote hotels for oil sands and mining workers. We first became interested in WesternOne in 2015. At the time, when the market looked at WesternOne, here's what I think they would have seen … they would have seen a small company, in a cyclical industry, with collapsing earnings due to falling commodity prices and an overburdened balance sheet. This was not a pretty picture. But when we looked at WesternOne, we saw things a little differently.

The thing we saw first was <u>compelling value</u>. Our assessment of the company's assets suggested that their bonds were worth at least $0.80 on the dollar and probably par. Now, that was a big gap from where they were trading - below $0.50 on the dollar, which leads to the second thing that we saw: <u>A busted convert</u>. We weren't interested in the company's common shares; we were looking at their convertible bonds. I'll do a brief segue to explain that market niche. Institutional investors rarely invest in convertible bonds. The coupons are too low, the contracts are too weak, and the issues are too small. Instead, these are usually sold to unsuspecting retail investors who overlook the first two issues and can live with the third. If the company stumbles, the retail investors head for the hills and the institutional investors, who weren't interested in the first place, aren't interested now either. Nobody cares. Well, almost nobody. Busted converts have been a repeated source of opportunity at Ewing Morris, and WesternOne's the best example.

The third thing we saw were saleable assets.

Look at the picture again. Everything has wheels. And that means that, even if nobody in Alberta needs a scissor-lift for rent, you can always take this stuff to a Ritchie Bros. auction, and find somebody somewhere in the world who needs one of these things. An interesting side note: the company's CEO, Peter Blake, his former job? – CEO of Ritchie Bros. So, we were pretty sure he knew this too. Why don't we play the movie forward and see what happened?

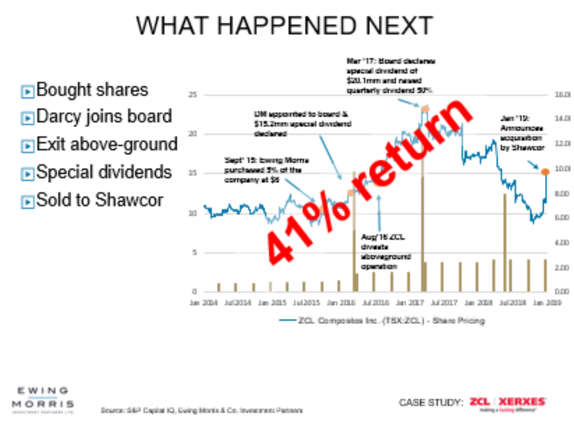


We bought bonds in 2015 below $0.50 on the dollar. The next year the company retired its 2018 bonds with shares, enhancing the position of the 2020 bonds that we owned. Then later, they sold the Britco business and used the proceeds to pay down bank debt, further improving the position of our bonds. And finally, late last year, they sold the remaining assets to global leader, United Rentals, and the bonds were paid back at 101 cents. Altogether, we made a 30% annualized return on this investment. It was a terrific outcome, and it was a team effort. It was Randy's careful reading of the contracts that made sure that we owned the 2020s and not the 2018s. Lee did an excellent job on the board making sure assets were sold, and it was at Alex's insistence that we bought more bonds along the way, as the odds of success improved faster than the bond price itself.

Let's move to the second example. A company called ZCL Composites. ZCL, an Edmonton-based company, North American leading manufacturer of underground storage tanks for gas stations. Not exactly a sexy business. When we first became interested in ZCL, it was late 2015, and I think when the market looked at ZCL at the time, they saw this: a modestly profitable business in a cyclical industry that was suffering from falling oil prices.

But when we looked at ZCL, we saw things a little differently. The first thing we saw was hidden profits. The company had a secondary business making aboveground storage tanks, primarily for oil sands projects. And with oil prices collapsing, that business was losing money. And the losses in the aboveground business were offsetting a lot of the profits in the core underground business and making the whole thing look less profitable than it really was. The second thing we saw was excess cash. The company had accumulated a significant cash pile over time with no good uses for the cash in the business. And the final thing we saw was an attractive valuation. Again, let's play the movie forward and see how it ends.

We bought a 5% stake in the company in late 2015, Darcy joined the board in May 2016 and, over the course of the next couple of years, they exited the aboveground business, they returned that excess cash to shareholders through a series of special dividends and, just last week, the company completed a sale of the business to a competitor called Shawcor. Altogether, we made a 40% annualized return on this investment. A fantastic outcome. Once again, it was a team effort. It was Alex who sourced the idea, and Darcy did a great job on the board.



I think these two case studies have a few similarities that really illustrate our edge at Ewing Morris. The first one is size. These were both pretty small companies that most of us had never heard of before, and I think a number of larger investment firms would have overlooked these entirely. The second is flexibility. In the case of WesternOne, we owned bonds, not stock. There are very few investment firms that have either the capabilities or the structure to invest across the capital stack like that, and that's a big edge. And finally, engagement. You will notice we had board seats in both these cases. Now, that's not a must-have in our investment approach, but it is a valuable tool in our toolkit that we've learned how to use.

As I sum up, I hope our remarks have given you a better appreciation of who we are, how we invest and why we're different. I want to thank you for your continued confidence in and support of the firm. We are going to rearrange ourselves and invite the investment team up on stage for Q&A. Before we get to your questions, Will Jones is going to lead us through an interactive adventure. Here we go, thank you.

Q&A

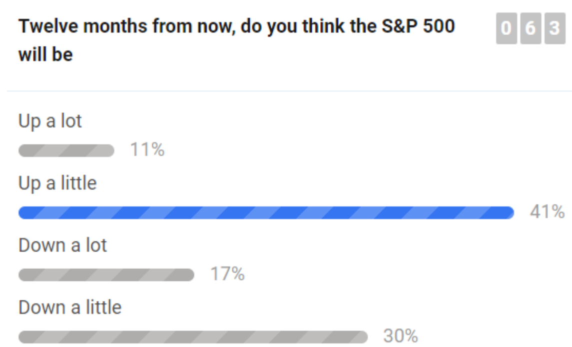
Will Jones:

Thanks, John and Darcy. I appreciate it, and nice to see all you folks here today. As I look out in the crowd, I feel glad because I know a lot of your faces personally. For those whom I haven't met yet, my name is Will Jones and I lead the client service team at Ewing Morris. As John promised, we're going to go on a technological adventure. We've put together a poll of questions that are frequently asked by our limited partners. If you look on the big screen or on your tables, you'll see instructions on how to access that poll via the Slido website. I'll give you a minute to load that on your phone. If anybody's having trouble, please put your hand up and one of our teammates will come by for the assist. Does everybody have it on their phones? Let's go to the first question, please.

Here's a question we're frequently asked by our investors: 12 months from now, where do we see the S&P 500? Up a little, up a lot, down a little, or down a lot?

With today's theme being the wisdom of the crowd … our crowd, we thought we'd put the question to you, our limited partners.

Yes, that's about right. We have our sample size and responses, and people seem to think it's going to be up a little, down a little. Perhaps I'll ask the investment team for their thoughts.



Darcy Morris:

This is a question that we are asked often: "what do you think the markets are going to do"? And the short answer has always been "we don't know". But over the last couple of years, John and I have joined investment committees of prominent cultural institutions here in Toronto and, in that capacity, we've been forced to think a little more about this question. The way we think about it is by using reversion to the mean or probability distribution. Historically, the market growth has been a function of earnings growth of the underlying companies and the valuation assigned to those earnings. Historically, earnings growth in the S&P 500 has been mid-single digits, about 6-7%, and the average P/E multiple in the S&P 500 has been around 16.

MARKET CONDITIONS - EQUITY

MARKETS REQUIRE >8% GROWTH OR MULTIPLE EXPANSION FOR DOUBLE-DIGIT RETURNS

Current P/E* = 21.7x

In order to expect 10% returns, need to believe either:

- Earnings growth >8% CAGR; or
- Multiples expand

Earnings Per Share Growth

Exit P/E Ratio	2%	4%	6%*	8%	10%
12x	-6.9%	-5.1%	-3.3%	-1.5%	0.3%
14x	-4.0%	-2.2%	-0.3%	1.5%	3.3%
16x	-1.5%	0.4%	2.3%	4.2%	6.1%
18x	0.8%	2.7%	4.7%	6.6%	8.6%
20x	2.9%	4.9%	6.9%	8.8%	10.8%
22x	4.9%	6.9%	8.9%	10.9%	12.9%
24x	6.7%	8.7%	10.8%	12.8%	14.9%
26x	8.4%	10.4%	12.5%	14.6%	16.7%

Note: references S&P 500; Source: Bloomberg, April 2019; * = average historical earnings

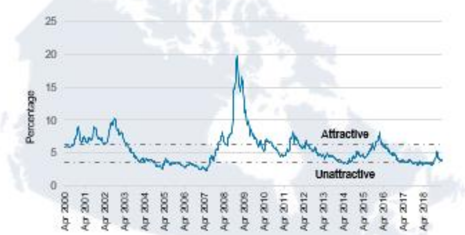
In this table, if you were to take that intersection of 6% growth at a 16x price earnings multiple, that leads to about 2.3% annualized returns. On a probability-weighted approach, that's probably the best estimate for how we think the markets will do going forward. In order for us to outperform this estimate, you would need to assume the markets will grow 8%, plus earnings growth in our companies and the current price earnings multiple, which is almost 22x today, to stay where it is or expand. Randy, do you want to comment?

Randy Steuart:

From a credit perspective, high yield bonds are what we invest in principally in the Flexible Fixed Income fund and I echo the comments that Darcy had in relation to the high yield market. Currently we're in conditions where credit is quite easy and the additional yield that you earn above government bonds, is on the narrow end of the historical range.

HIGH YIELD BONDS HISTORY - SPREAD

YIELD PICKUP OVER GOVERNMENTS (SPREAD)



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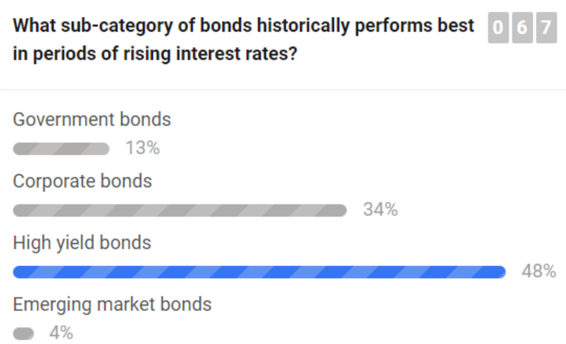
You can see in this slide, the current pricing in credit … what we view to be less attractive and so longer-term performance in the high yield space, should be subdued and that would be in the mid-single digit range.

Will Jones:

Next question, please? There's a broadly-held view, until recently, that interest rates are going up, and that's led to a lot of questions from our limited partners about what the best-performing subclass in credit is in a rising rate environment. I'll give people a minute here to get their answers in.



Randy Steuart:

It's a pretty well-informed group here.

Will Jones:

They are listening to you, Randy.

Randy Steuart:

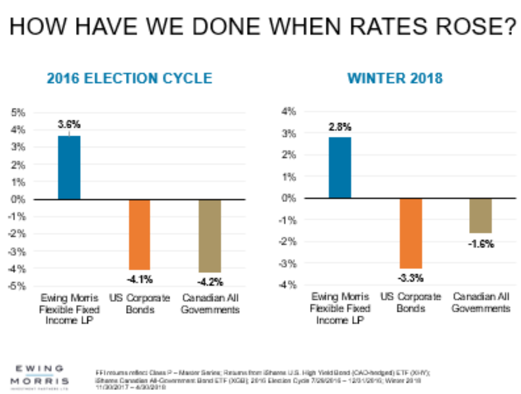
Alright.

Will Jones:

Why don't you share your thoughts?

Randy Steuart:

Alright … well, I guess there's nothing much to be said here now. If you look at high-yield bonds over time, it may come as a surprise to some that in periods of rising interest rates, high-yield bonds tend to perform the best as a sub-asset class within fixed income. The reason is that, if you think about why interest rates are rising, it's usually because inflation is increasing, and when inflation increases it's usually on the back of a stronger economy, not a weaker economy. And so, if the economy is strengthening, companies are doing better. If companies are doing better, their balance sheets are improving. When balance sheets improve, credit risk goes down, and if you're in a high yield bond at the beginning of the year at 8% and the credit risk of that company declines over the course of the year, you may demand 7% at the end of the year. And so, a bond that goes from an 8% yield to a 7% yield would mean that the price goes up. What you commonly see in rising rate environments is high-yield bonds outperforming government and corporate bonds and when we talk about corporate bonds, we mean investment-grade corporate bonds, i.e. the bonds that have a smaller premium above the government bond as compensation.



We've seen rising interest rates in a couple of periods since we started. There's been the 2016 election cycle when there was talk of a lot of fiscal stimulus and what that did is it really hurt the government bond market, it also hurt corporate bonds and high yield performed well as did the Flexible Fixed Income fund. We saw it again in the winter of 2018, when you had the fiscal stimulus impact on the market and, at that point, U.S. corporate bonds also fell along with governments, and high-yield performed well in that period. We've seen this happen a couple times and you've seen the results actually match what the long-term expectation really is.

Will Jones:

Next question, please. This is a big question and it's a little broader, not just within the investment management space, but on average, how many "phishing" type of scam emails are sent around the globe in a day?

Yes, smart people. For this answer, I think I'd like to ask our general counsel and Chief Operating Officer, Breann, to share with you a bit about what Ewing Morris has been doing to protect your data and information.

Breann Kirincich:

As you guys can see, the correct answer is 156 million. It's really staggering, and, just to put it in perspective even more, according to Statistics Canada, one in five Canadian businesses were the subject of a cyber security attack in 2018. The most targeted area amongst those businesses are financial services firms. I think you've seen the headlines - last year alone a number of Canadian pillar financial institutions such as BMO, CIBC, Simplii Financial, had major data breaches. We don't want to be one of those headlines and, more importantly, we want to protect your data and the assets that you've entrusted to us and that's why we've made cyber security a major priority for Ewing Morris in 2019. We know that over 70% of cyber security incidents start with people issues. Things like employees accidentally clicking on a phishing link or being subject to a ransomware request or being mistaken by a fraudulent attempt to impersonate a client.

That's why, the first thing that we did was institute mandatory employee cyber security training in the winter of 2019. In addition to this we're most vulnerable when we are moving money around which is why we have implemented two-factor authentication on all our wire transfers and account transfers. When you submit a redemption request, to ensure that it really is coming from you, we have implemented a two-factor authentication process for clients as well. We're only as good as the company we keep, and we do extensive diligence on our service providers and an annual service provider overview to make sure that all of our service providers have up-to-date and up-to-snuff cyber security procedures.

If something does go wrong, we've implemented dedicated cyber security insurance and we have a dedicated business continuity and incident response plan to ensure that we're covered. We know that this is an area that we are just starting to tap the surface of, and we are always on the lookout for best practices in the industry and tightening up our controls wherever we can and that's why its continuing to be a major priority for us this year.

Will Jones:

Next question? I'll spoil it. This is the last one. This is always the catch-all: what's keeping us up at night? What are we most worried about? I'd like to hear from you about what's concerning you.

I think the votes are in. For me, I would have responded "other", because the thing that I worry about the most is delivering a delighting client service to all you folks out there. But you're not worried about what I have to say, you're interested to hear what our investment and operations teams think, so I'll turn it over to them.

John Ewing:

Perfect. It looks like the number one topic on that list was a U.S. recession. I think we've been underwriting businesses cautiously since the very beginning, and I think that we'll look at investment under the expectation that there's going to be a recession in the next 5 years and, at this point in the economic cycle, it's probably coming at the early end of that range, and so the way we can really protect ourselves is through careful underwriting. That means investing in companies with modest or no debt, paying reasonable valuations and investing in resilient businesses, run by talented management teams that can take advantage of opportunities in tumultuous situations.

Alex do you have anything you want to add or relate on that?

Alex Ryzhikov:

Maybe I'll touch on the Canadian housing worry, and I think we share the concerns and the concerns I think are really around the Canadian consumer and the leverage that the Canadian consumer has today. We all know it's at record highs. The service costs for that leverage has been manageable so far, because the interest rates are a lot lower than where they have been historically, and so the question is what happens when interest rates, if they eventually do rise, what happens to the Canadian consumer.

A couple of things: I think despite the fact that we are focused on the Canadian equity space, you will be surprised to know that a majority, over 50% of the revenue and earnings power that is generated by [the businesses we invest in], comes from the United States. We actually have limited exposure to the discretionary spending by the Canadian consumer, and we also have a number of investments today that we think may pay off handsomely should the fears be realized and we see a meaningful correction in the Canadian housing space.

Will Jones:

Well that concludes the "technological adventure" section of our presentation. We're going to open the floor to Q&A. We have a mic stand in the middle of the room if you are inclined to stand up and ask your question from there. We also have a roving microphone coming up the rear. Now over to you.

Question:

If the wisdom of crowds was to apply to the October election, what impact would those results have on the Canadian economy, if any?

Darcy Morris:

Canadian election? I think the question was around what impact the Canadian election would have on our investments. We were out west last week, and I think a new government would be a welcomed change for the citizens of Alberta, that's for sure. I think that, in general, a conservative government is probably a net benefit for businesses. We take comfort in the stability of the Canadian system and, really, the impact of the election would pale in comparison to a recession in the United States or a rising interest rate environment, as Alex alluded to. Do you have any thoughts?

John Ewing:

I finished a biography of Winston Churchill recently and, on one of his visits to the U.S., he was asked about an upcoming presidential election, and he answered that there are very few people that truly understand the politics of their own country and none who understand it of anyone else's country, and so I think, the answer portfolio-wise is usually to underwrite well and know that there will always be surprises. If you own resilient businesses, then you'll come through.

Next question?

Question:

You mentioned you were in Alberta or out west last week, and historically I know you've had a meaningful part of your portfolio in western Canadian-based businesses. I'm wondering if you have a current view on the economy in Alberta: Has it bottomed? Are we going to see more pain? Duration? Any comments on that would be welcome. Thank you.

Alex Ryzhikov:

I'll touch on the specific investments we have and then pass it on to John. You would be surprised to know that of the many Canadian-listed energy names that we own in the portfolio today, a substantial portion of their earning power happens to be derived from the United States. One example is the economic power that is earned in the permian basin. The attractive element of Canadian energy services is that today, nobody is looking at this space. If you ask institutional investors, or any type of investor about Canadian energy, most of them don't want to look at the space. And so, you are able to find securities like PHX Energy, trading at two times its earning power, with the potential for substantial growth. I wouldn't say that most of our investments in Canadian energy services are particularly tied to the Alberta economy, so they would be expected to have low correlation.

John Ewing:

I think another learning for me in energy investing has been introduced by Randy, and having a better appreciation for debt. One of the frustrating things of investing in energy companies over the last few years has been that we've learned all too well that an energy stock can stay cheap for a really long time. And it seems obvious, but an important attribute of a bond is that there's this sort of judgment day, your test day called "maturity". If you buy a bond for $0.70 on the dollar thinking that the assets are worth more than that and that the company can refinance, when a debt comes due, either you get all your money back or you get the company. And there's no equivalence in stocks, and so I think we've increasingly moved towards investing in energy companies through debt, where the path to a return is more independent of what other investors think.

Question:

Not every investment works out as planned and so, despite all the work that you do and the due diligence and the investment pieces turns out to be not what you expected; how do you prevent yourself from hanging on too long? What are the big things that bring you to the difficult decision to sell or get out of an investment, given you have such a concentrated portfolio and you've done so much work and you have a lot of confidence?

John Ewing:

I think if an investment that we have goes down a lot, that absolutely must be a trigger to revisit the investment. And it's almost certainly not the time to do nothing. If the reasons you owned it initially have been proven wrong, then you should probably exit and move on, because if you weren't smart enough to know what was going to happen, then what makes you so smart over here? But it's possible that the thesis is intact, in which case, you should probably be buying more

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because it's cheaper. You need to do something when an existing investment goes down a lot.

I wrote about a couple of investments that were down in our annual letter that we distributed two weeks ago. I wrote about three equity investments that had gone down in 2018. Sometimes that's about timing: ZCL was one of them, prior to being sold in early 2019. Uni-Select is a company that has not worked very well. It's an auto parts distributor and an auto paint distributor in North America and Europe. We misjudged the CEO's capabilities. One of their key businesses, their paint business, I think we were too optimistic about where the margins in that business could be in the long-term. The business had been buried inside of a larger company without segmented disclosure historically, so it was difficult to figure out exactly what the earning power was. We made a mistake there, and the company has suffered some challenges. I think, as a team, there's been shareholder engagement that Ewing Morris participated in, to lead to new leadership, and I think continued deep-digging on this still suggests that there's good potential from current levels, but it certainly hasn't been our finest hour.

Darcy Morris:

Does anyone else want to comment?

I think it's a great question because mistakes happen. One of the lessons learned as we engage with our companies is that stocks aren't flashing lights on a computer screen and companies aren't just numbers in a spreadsheet. Our active engagement, being on the board of some of these companies, has really brought that to light. It's hard to know what the underlying dynamic at these businesses is and, even when you sit on a board, you don't know what's happening at the operating level all the time. There's the old cliché of "being a businessman makes you a better investor, and being an investor makes you a better businessman". I think a skillset that's evolving at Ewing Morris is that, when mistakes are made, maybe we can roll up our sleeves and help fix them.

Will Jones:

This just in: there have been a lot of questions coming through Slido. Thank you.

Darcy Morris:

Can we talk about a mistake in fixed income?

Will Jones:

Yes. Go for it.

Randy Steuart:

This seems to be a popular question, so I can share the story on the fixed income side about a mistake. We made an investment in, or I made an investment, in a company called Diebold Incorporated. They manufacture and service ATMs. The investment dated back to late 2016. Following an acquisition they made in a company called Wincor Nixdorf, we made an investment in in Diebold's bonds at 8 3/4% yield at 100 cents on the dollar, and we hedged this investment with Diebold stock. We had a view that the acquisition wasn't going to work out. And we believed that for a few reasons: firstly, as a transformational deal: the enterprise value basically doubled. The employee count went from 12,000 to 23,000 and, if you think about the skill level or difficulty of integrating an acquisition of every human resources-led service business, integrating thousands of people, that must be a pretty good job. Even more difficult about it is the fact that Wincor Nixdorf was based in Europe. And so that's definitely a difficult job to do and, on top of that, the CEO of Diebold had been responsible for integrating HP's acquisition of EDS, which resulted in a $6 billion write-down.

So, you had these data points along the way to give you the thinking that this acquisition might not work out and, on top of all that, the balance sheet went from basically unlevered to five times levered. In figure skating parlance, this was not a single axle – it was more like a quadruple salchow in terms of its difficulty and execution. We thought that the bonds could have a very good shot at possibly being flat over a year and the stock had a good chance of being down 30 or 40 percent. And we were right. The acquisition didn't work out – but we were wrong, and that it was an utter disaster. The stock went from $33 down to $2.50 and we made a ton of money on the equity hedge, but we lost more money on the bond side. In sum, the investment lost us 0.6% of the fund. If you compare that to the position size of about 3.5%, we lost about 20% on our capital invested over this time period.

Upon reflection on that investment – there is a lot to be said about discipline in this business and one thing about discipline is, people think about undisciplined purchases and undisciplined sales, but what you're really talking about is undisciplined holds and this was best example of an undisciplined hold. There were two great junctures over this two-and-change-year holding period where the bonds were at 111 cents, and we could have said "see you later", and similarly, the bonds were at 98 cents when the stock was down 30 to 40 percent, just like we thought, but inertia kept us there.

A question that often comes up is "what are you going to replace it with?" Idea generation and discipline around producing new ideas is as important to risk management as monitoring companies that are already in the portfolio, because, if you can reduce the friction of the sale of something that really doesn't have a place or it's performed its purpose in the portfolio, then that's an optimal situation where you can rotate that capital into something new.

Darcy Morris:

I agree. I think we had another question.

Question:

The activism or "suggestivism" as it's sometimes called, has been a real boom to returns and congratulations on all the success. Is that something that Ewing Morris thinks they'll do more of or less of, or somewhere in between?

Darcy Morris:

I think that's a good question for Lee.

Lee Matheson:

It's all I want to do. It's a great question. Going back to Darcy's presentation, I think we're finding, particularly in Canadian small caps, a lack of attention is being paid to these sort of "orphan issuers" because of indexation and asset manager consolidation amongst other things, is that it's making it incrementally easier for us to find cheap stocks and it's making it incrementally easier for cheap stocks to stay cheap for longer. In a lot of cases, you have disinterested boards, potentially fragmented ownership or an ownership structure where the principal shareholders have a business risk of interfering with portfolio companies – think of high-net-worth private client firms in this city that don't want to be seen as being combative with portfolio companies for business reasons – you often have these situations where a company will bumble along, grossly undervalued, for a long time. For us, similar to John's comment about preferring to be higher up in the cap structure and effectively getting paid to wait in bonds rather than in energy companies, we look at the ability to pull our IRRs forward by stepping in earlier and being the catalyst for change. We've done it on a number of files, and we continue to mostly do it behind closed doors. I think it's a tool, and there just aren't a lot of people in the Canadian institutional world that know how to use these tools that are at their disposal; we view it as being part of an engaged owner and we think it's very IRR-accretive and, I think that history would play that out. I think the evidence is there.

Darcy Morris:

I'd add that we sometimes describe these businesses as "three-legged stools". You don't need to revamp the whole business, but it may need one thing that can make it better. It could be that an entrepreneur founded a business but maybe isn't savvy when it comes to the capital markets or balance sheet efficiencies or operational enhancements. Our approach is always to do it in a constructive, respectful manner. Our experience has been that, if we can take that approach then, often, we end up being welcomed in, we end up being viewed by management as a partner. That's not necessarily what people would associate with American-style activism.

Lee Matheson:

That's right and we've done a couple of transactions recently where we were providing capital in addition to our presence, and it's a very strange dynamic, where people are actually opening a door for you and saying "please come in and help us", because usually it's exactly the opposite where we have to pay lawyers a lot of money to get us into the room, so it's a nice change.

Will Jones:

A question from someone in the corner.

Question:

Given the last two questions that you've addressed, let me ask this. Have you found situations where, because you are an insider and may be caught in an extended blackout period, that you have not been able to exit an investment in your portfolio?

Lee Matheson:

It's something that's very timely. We had a discussion on this very recently, and the issue you bring up is one of competing fiduciary duties to limited partners in the fund while serving as a director of the company and having fiduciary duties to the company. I think we've only had one instance, which was the ZCL CEO health issue, where we had to consider whether there was a conflict.

Darcy Morris:

It's important when we go into these situations that: (1) we've underwritten our IRR hurdle higher than average, so there has to be more meat on the bone for us to undertake the extra effort; (2) we need to have a clear thesis on how our engagement is going to unlock value.

In the case of WesternOne, Lee's mission was to go in, assess the assets – our thesis was that they were saleable – and divide them up. The job would be done when that was completed, and we would have to ignore all the noise in between. The same with ZCL: the mission there was that if there was no higher use for capital then it should be returned to shareholders and the underperforming businesses should be divested. Then, either grow the business through operational enhancements or balance sheet efficiencies or explore a sale of the business. As Lee alluded to, it was publicly disclosed that the CEO became ill - unfortunately, one of those shock circumstances. That was a situation where there was nothing much we could do, even though there was a material change, other than to stay the course and continue to push through the thesis. That's how we monitor these investments and the companies that we are engaged in are restricted at the firm.

John Ewing:

Yes, there's definitely a negative consequence of having board seats. Our track record has suggested that as we go in, we're weighing the upside potential against those negative consequences, and the track record suggests that we've done that weighing appropriately.

Will Jones:

Alex, do you want to take on this question about energy sector?

Alex Ryzhikov:

Yes, we've talked a bit about it. We do have a meaningful portion of cap allocated to Canadian energy services. A number of them are businesses outside the oil patch. Are there opportunities to invest in businesses that do business directly in Alberta? I think, yes. But the opportunities we currently have in the portfolio trade at the same valuations as those names exposed to the Albertan economy, but have fundamentally better underlying economics, and so we would much rather have our capital in those names today than have capital in names exposed to the Canadian oil patch. That's the reason we do not have meaningful exposure, and we've done it on the credit side.

Lee Matheson:

Where we do (maybe I'm going to be the optimist for a change), we've been in the Canadian small-cap space for 15 years and, generally, those service names, have two opportunities if you're looking at them as statistically cheap. They're statistically cheap at the top of the cycle when they look like they're trading at two times earnings or three times earnings or whatever it is, but they're trading at three times book value because the market is just crazy, and people are overpaying for rental equipment. And then they're generally cheap at the bottom of the cycle, when they're trading for half of book, but they're losing money and it's a question of "when is it going to normalize?" and when are you going to get back to a company that's profitable again. The last two years, I'd say, is really a unique situation where you're able to buy these businesses for half of book value and, at the same time, they are trading at two times earnings, or two times EBITDA, which I don't think has ever happened. When you triangulate that back, you are at a point where you are unequivocally buying these businesses at the cheapest levels that they have ever traded at, going back at least – I mean, again, a lot of the industry really grew up in the 1970s – and so from an optionality standpoint, if you can find the ones with the balance sheets to withstand and are existing profitable operations, I think you're setting yourself up for – and I'm not going to speak to actual oil producers because it's not an area that I spend time in – but you're setting yourself up for a potentially big upside if one or two things go right. And again, that's been a terrible bet, that one or two things might go right in the space for the last five years, but I think you're setting yourself up for some extraordinary inexpensive securities in that space now.

Will Jones:

Anybody in the crowd? Hands up. **[Inaudible]**

That one we need slides for.

Darcy Morris:

The question is around breaking down the performance of the Flexible Fixed Income Fund between our long bond investments relating to credit spreads and the performance of the equity shorts, or the equity hedges.

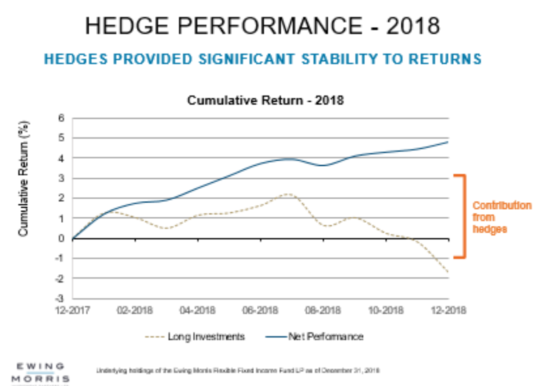
John Ewing:

Can we open up the presentation for that?

Randy Steuart:

From a risk management perspective, equity hedges are a fundamental part of the way we control risk in the Flexible Fixed Income Fund. The big picture is that we have many bond investments in the portfolio where we have an offsetting hedge in the form of a short stock position in the company whose bonds we own. So, we'll own a company's bonds and we'll short its stock. The purpose of this is the acknowledgement that you never really know what's in store in the future, and there can be things that happen that are negative. To reduce the credit risk of the investment, we have an offsetting position in the stock and if the bonds are down, for example 4%, on some expected bad news, the stock will be down multiples of this.

There's quite a reliable relationship between the bonds of high-yield companies and the stocks of those same companies. And it's this value that exists at the interface between these two pieces of capital in the capital structure, to which we pay the most attention. You can see that the hedges performed quite well in 2018 in this chart.



Look at the lower line: that was the performance of our long investments, and if you look at the back half of the year, as markets got more rough and Q4 was the pinnacle of the pain – stocks being down 20%, high yield being down 5 – you can see how the asset side of the portfolio performed: declining from being up 2% to basically down 2%. That was a difficult time and, this is what hedges are for: to protect against turbulent markets. Throughout the year, we added significant value from these equity hedges in the portfolio, particularly in Q4.

The difference between the lower line, which were our longs, and the upper line, which is what our investors experienced at the fund level, is explained by the contribution from our portfolio hedges and the bulk of that, about 4.6%, came from equity hedges. The equity hedges were not concentrated in any particular sector.

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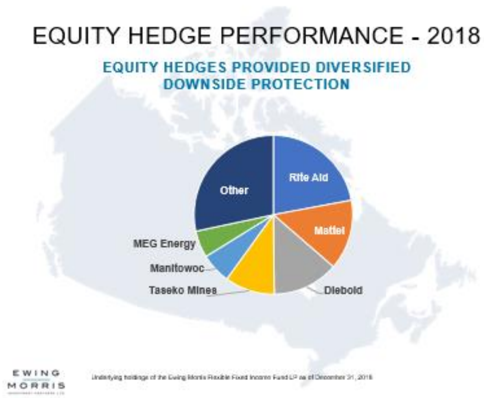

They were well diversified by sector and also by name. There wasn't any overwhelming win on any particular name and it's easy to say, "hey, we made money by shorting stocks and your stocks were down", that's not particularly impressive. The more important thing to look at is the longer-term track record of what we do on the equity hedge side.

EQUITY HEDGE PERFORMANCE SINCE INCEPTION

OUR HEDGES HAVE REDUCED RISK WHILE ADDING TO RETURN AND VOLATILITY

2016	2017	2018	Total
-2.1%	+0.1%	+4.6%	+2.6%

Since inception, the Russell 2000 was up **36%.**
Our average short exposure was **~5%**

EWING MORRIS In relation to the Ewing Morris Flexible Fixed Income Fund LP

2016 was a very strong year with high yield. That was a strong year in equities, and we gave up two percentage points of return from our equity hedges. The portfolio returned about 14.5% in 2016.[1]

2017, another good year for equities, and we were flat on our equity hedge performance. The fund[2] was up about 7% net of fees.

And then 2018. We talked about equity hedges performing quite well for us and when you sum them altogether, roll it all up, we've added about 2.5% in return through our equity hedges, which we think, fundamentally, reduced the risk in the portfolio. As you saw in the back half of 2018 and, what I think is important to note, is that this was during a period when small cap stocks were up 40%.

When we have our portion of a portfolio that is hedged, it's usually around 5%. That's about the average. Had we just shorted the market, we would have lost two percentage points in return over this period and so we're quite pleased in identifying the situations when the balance sheets of these companies are too heavy for the stock to perform. This is a very unique way of making money in the context of investing in high yield bonds.

Referencing Slido.com questions

Will Jones:

A couple questions about the Partners Fund.

Darcy Morris:

Yes, I saw a couple questions about the Partners Fund. The question is "how will the range fluctuate between a 70% equity and 30% fixed income allocation"?

We don't expect that range to fluctuate too much. It will fluctuate, give or take, 5% to 10% over time. We've set it at a 70 to 30 percent split of equities and bonds because, that seems to be the most common split for people who are looking for a balance between capital growth and capital preservation. If you think about, a million-dollar investment with $300,000 in fixed income and $700,000 in equity; the $300,000 can be considered a more conservative allocation where if you need to draw down on income, that money is readily available for you. The money behind that, the $700,000 or the 70%, is the money that you expect to draw down on later and should be earning higher returns over time. That's the framework behind the 30-70% split.

The question about whether investors will be paying fees twice. Absolutely not. The way we will

[1] Ewing Morris Flexible Fixed Income Fund. Net of all fees and expenses

[2] Ewing Morris Flexible Fixed Income Fund

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structure that, is there will be a zero-fee class in the underlying funds so that the management fee will be applied at the Partners Fund level. It will be a single fee, that's it. There will be monthly liquidity as well.

We have time for one more.

John Ewing:

Can we pull up the slide on the convertible preferred shares? Sort of the new tool on the tool kit that's emerged in the last year

Darcy Morris:

Can you restate the question?

John Ewing:

The question was about any new investments that we could talk about. These are interesting ones, as a play, really. Over the last year we've made three of these fairly similar investments: convertible preferred investments where we usually had a relationship with the company that's seeking money for one reason or another that won't be well served either by traditional equity or traditional bank debt, and there's an opportunity for us to have a creative solution to help the company through its situation.

The one interesting dynamic of these is that they would be preferred shares, so that means that they pay dividend income rather than interest income – which has much better tax treatment – thus we're getting more after-tax dollars for the same pre-tax return, and that's not coming at the expense of the company. Most of these companies have had accumulated tax losses so they don't need the tax deduction, and that's a win-win structure. We're usually further up the capital structure than we normally would be in a common share, and that gives us greater downside protection, but we're still into making these investments while thinking about the upside potential. Each of them has come with board representation. Alex is on the board of LED Medical, a Vancouver-based company that sells dental supplies and software. Lee is on the board of the most high-tech business that we have ever invested in, exactEarth. It has a satellite application to track ships in near real time in the oceans. Centric Health, that I recently joined the board of, is one of the leading institutional pharmacies in Canada serving pharmacy services to long term care facilities. These are all meaningful investments to the firm, meaningful investments to the companies, that we would not be able to make without the shared skills of the team: Lee's relationships and expertise with board work has helped source these ideas and structure the ideas; Randy's ability with contracts has helped the writing; the whole team working on the business analysis to make sure that we're underwriting into situations where our downside is limited and there's meaningful upside.

Lee Matheson:

Yes, and tying it back to Darcy's earlier point about the indexation and asset management consolidation, when the small cap market rolls over every few years in Canada, companies that need funding generally run around with fine upstanding investment bankers to raise some capital for them and typically, if this would have happened three or five years ago or ten years ago, these companies would have had access to equity capital and we would not have been the provider. In this case, every one of these companies came seeking equity and our response was: we're intrigued but we want to be higher up on the capital structure. They uniformly told us to go stuff it, and three days later called us back and said, "by the way, what were you guys referring to when you said higher up on the capital structure?" And so, I think that to some degree, that plays into the dynamic. It's another tool of taking advantage of the fact that there aren't that many other small cap guys out there looking at hairy situations anymore. We can extract something for the scarcity value of our capital. It makes it a much more attractive risk-reward proposition for us.

Darcy Morris:

Okay. Well I think we'll end it there. We thank you very much for making the time to be here, for your participation and for your continued support and confidence in our firm. Thank you.