EWING
MORRIS
INVESTMENT PARTNERS LTD.

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March 31, 2016

Annual Report to Limited Partners as of December 31, 2015

Year	**Ewing Morris LP Class A**[1]	S&P/TSX Index with Dividends Included	S&P 500 Index with Dividends Included
Sept. 9, 2011 – Dec. 31, 2011	**6.3**	(2.5)	7.8
2012	**11.5**	7.2	13.4
2013	**16.2**	13.0	30.3
2014	**(1.7)**	8.8	12.3
2015	**8.3**	(8.3)	1.4
Total (Cumulative)	**46.6**	19.7	94.2
Total (Annualized)	**9.2**	4.2	16.6

In our fourth full year of investment operations, the Ewing Morris Opportunities Fund LP returned +8.3%, net of fees and expenses. This compares favorably with the S&P/TSX which declined -8.3% and the S&P 500 which returned +1.4%.

The five biggest contributors to our Partnership gains in 2015 were Burson Group (Great Business), Constellation Software (Great Capital Allocator), Summerset Group (Great Business), Boyd Group (Great Business) and J.W. Mays (Cheap Asset). None of the top contributors in 2015 were actually acquired in 2015. In fact, three of these investments were originally made during our disappointing 2014. We think investment results are similar to a graduation ceremony in which the knowledge gained in previous years are recognized on a day when nothing is learned.

A Note on Expectations

Our goal continues to be compounding investment returns at above-average rates without taking excessive risks and while providing high quality client service for our Limited Partners. We do this in part by taking a multi-year approach to making investments and strengthening our organization to provide the quality of service you should expect. On the investment side, this approach often means that the composition of our investment portfolio and, therefore, our investment results bears little resemblance to widely-followed and well-known stock indices like the TSX and the S&P 500. One consequence of this is that we may underperform these broad indices in bull markets as our conservatism leads us to avoid market trends and expensive stocks. From our perspective, we have been relatively uncomfortable with broad market valuations in the U.S. for a number of years now and would not be surprised to see lower returns in the years ahead (you

[1] Note: 2011 data is from September 9th, the date the Ewing Morris Opportunities Fund LP began investment operations. Results are net of all fees and expenses.

can read our comments on this in our 2015 Annual Investor Day transcript posted on our website). We continue to regularly review our "Wish List" of companies – these are companies that we would love to own at an attractive price – and we have yet to see many bargains.

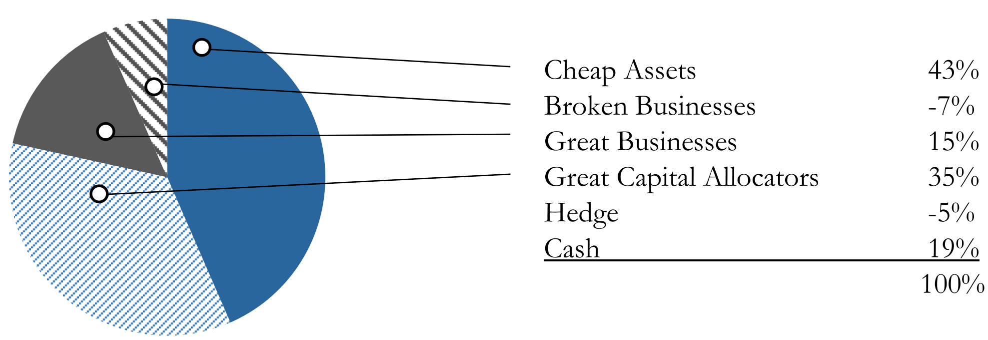
In our short history, we have built up a considerable advantage against the S&P/TSX, while we have trailed the S&P 500. We expect to see these relative results change throughout different market cycles.

Current Portfolio

The Partnership currently has 96% of net assets invested. The ten largest investments represent approximately 82% of assets as of this writing. This is offset by 10 short positions that account for 15% of net assets. As a reminder, when we short a company, we sell the stock at what we feel is a high price and then set aside (i.e. restrict) the cash proceeds to repurchase the stock at a lower price in the future. This means that today we have 19% of total assets in cash (i.e. 4% + 15% = 19%) but only 4% of that is available for investment. The unrestricted cash level today is sufficient to take advantage of investment opportunities quickly when they arise. With 19% of total assets in cash, our net exposure to the market is 81%.

The division of our portfolio among investment plays is largely determined by availability of ideas. Today, we have the bulk of the portfolio invested in the Cheap Assets play where investment results will be determined by company-specific events rather than the direction of broader equity markets.

Strategy Breakdown



The Partnership's investments were 60% in Canada throughout 2015 and we continue to allocate a large percentage of assets in smaller capitalization companies where we can take advantage of our relatively smaller pool of capital. The median market capitalization of our long companies is $529 million.

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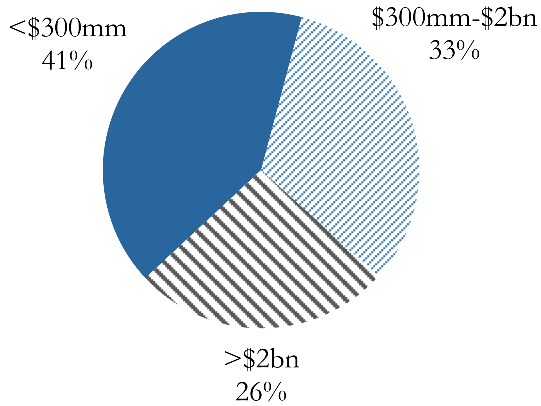
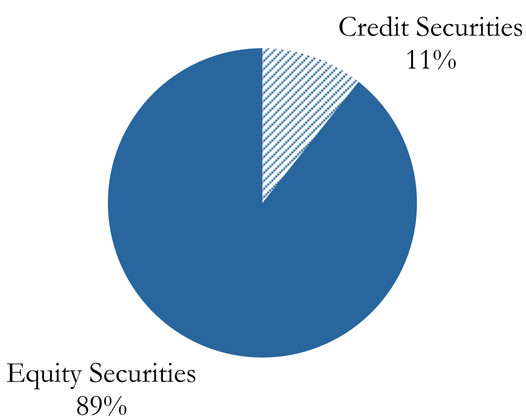
Market Capitalization Breakdown



We believe that flexibility is an important advantage not available to most investment funds. One example we cite is the ability to invest throughout a company's capital structure. We will always target equity-like returns but sometimes these are available elsewhere, for example, in fixed income securities. We currently have approximately 11% of the portfolio in the bonds of three different issuers. The weighted average cash yield is 14%. This compares with the 5-year Government of Canada bond yield just 0.7%. This large difference in yield implies the market is clearly concerned about the issuer's ability to repay at maturity. Based on our analysis, asset values are well in excess of the market value of our bonds which should protect our capital. Since these bonds all trade at meaningful discounts to par value (weighted average price = 56% of par), there is substantial upside beyond the 14% cash yield.

Portfolio Asset Mix



Our efforts remain focused on uncovering attractive investment opportunities and not market trends. We constantly seek ways to improve the portfolio by finding new opportunities that offer similar return potential with less risk or a superior return potential with similar risk.

Investment Review

This year, we are happy to report that our international investments were meaningful contributors to results; Burson (Australian distributor of auto parts) was the biggest contributor and Summerset (New Zealand retirement home operator) was the third largest contributor.

Burson is an example of how studying the U.S. market helps us see the future in smaller, insulated economies. The idea for the investment came from our knowledge and awareness of a U.S. car parts distributor named O'Reilly Automotive. O'Reilly is a wonderful business that has benefitted from scale and fragmentation of car manufacturers in the U.S.

For background, we are providing a brief overview on the economics of the auto parts distribution business:

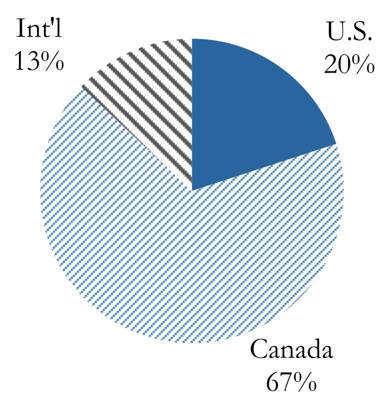
> Over time, technological developments in automobile manufacturing has increased vehicle quality allowing cars to last longer on the road. This has led to a wider range of vehicles on the road *by vehicle year*. The emergence of Asian car manufacturers in the 1980s also fragmented vehicle market share resulting in a wider range of vehicles *by vehicle make* on the road. This is what has driven growth in car part sales.
>
> Imagine an island with 100 cars made by only two different manufacturers; there would be a fixed amount of annual auto repairs requiring a fixed amount of parts inventory. Now imagine the same island with ten manufacturers instead of two; the annual value of auto repairs would be unchanged but the amount of inventory would increase significantly. The distributor's returns on capital would obviously be lower in the second scenario because of the need to hold more inventory.
>
> In the real world, the increase in different types of cars on the road and the subsequent proliferation of unique car parts has made it significantly more expensive for small distributors to compete with larger distributors. Large distributors have the scale to centralize inventory which creates a competitive advantage. Let us take a market with five independent stores that each carries one slow-turning car part. Now imagine a larger distributor enters the market with five adjacent stores and one centralized distribution center. The large distributor can hold the slow-turning car part in the distribution center instead of holding one item in each store. This means the larger competitor offers similar parts availability with significantly less in-store inventory (80% less in our contrived example). Therefore, centralized inventory allows larger distributors to offer similar or better parts availability at a relatively low cost. The ability to hold inventory in a central location is only available to distributors with sufficient scale to justify and finance investments in expensive distribution centers. So while the proliferation of unique car parts is negative for the industry as a whole, it is actually a positive for large distributors. Economies of scale, such as purchasing power and higher margins, lead to consolidation amongst the smaller independent distributors.
>
> These are the industry dynamics that have benefitted O'Reilly as a large player in the U.S. When O'Reilly opens a new store, a sales rep will visit local installers and explain O'Reilly's inventory breadth. The message to the installer is, "the next time you need a part your regular supplier does not have, I hope you'll give us a call." The sales rep will send periodic reminders until eventually the installer calls with an order. If O'Reilly has that part, the installer is likely to call again the next time his regular supplier cannot fill an order. Eventually, O'Reilly will move up the call list and become the preferred parts supplier. In short, O'Reilly is competing with inventory (i.e. "we stock parts that competitors do not"), not price. From 2009 to 2013, O'Reilly grew revenue at 8% annually, operating profit at 20% annually and its share price compounded at 35% annually.

When we discovered Burson, we quickly realized that the company had many similarities to O'Reilly circa 2009. At IPO in April 2014, Burson was positioned as the second largest auto parts distributor in a fragmented Australian market. The investment opportunity for Burson was to take advantage of its scale by consolidating smaller distributors. We likened the opportunity to invest in Burson to watching a re-run of Jeopardy. It is not hard to pile up points when you already know both the questions and the answers.

After making the initial investment in July 2014, we exited Burson early in 2016 at 17.5x EBITDA which was a premium to fair value of 10-12x EBITDA. Our return was 66% over 19 months with much of that realized within the last 12 months.

Despite our early success, we still prefer investing closer to home. The market for smaller, non-resource Canadian-listed companies remains very inefficient. This market continues to be our primary focus and represents 67% of the investments today.

Geographic Breakdown



<u>Lessons Learned</u>

Value investors usually believe that when a stock you own declines in price, you should buy more; when it rises, you should start selling. However, we attempt to update our views on each investment based on new information that becomes available over time. It is possible for a company to be a worse investment at a price below its purchase price or for a company to become a better investment even as the price rises.

An example of the first situation is TeraGo, a mistake from 2013-2014. TeraGo provides internet services to Canadian companies located in suburban business parks. We invested because we thought the market was underpricing TeraGo's installed base of customers. We also thought the company was a likely acquisition target. Instead, TeraGo cancelled an auction process to sell the company and replaced the CEO with new management intent on diversification into unrelated business services. The stock fell from about $8.50 per share to $5 per share where we sold in September 2014 and where it remains today.

An example of the second situation is our investment in Summerset, our third largest contributor in 2015. Summerset operates retirement villages in New Zealand and is a wonderful business: high returns on capital, wide moat and long growth runway. Since this was one of our first international investments, we made an initial investment of 2% in the fall of 2014 at about NZ$2.75 per share. As we became more familiar with management and the operation, including a visit to New Zealand, we increased the weight to 6% in May 2015 even though the share price had increased 25% to about NZ$3.50 per share. The stock price continued to appreciate, ending 2015 slightly above NZ$4 per share.

As you can see, neither selling a company whose stock price is rising nor buying more when the stock price is declining are universally good ideas.

<u>Business Overview</u>

We enter 2016 with confidence in our firm and portfolio companies. The broad markets had a challenging start to the year amid a narrative dominated by weakness in the Chinese economy, concerns over global growth, depressed energy prices, the Fed and the U.S. Presidential cycle. As mentioned earlier, we have been uncomfortable with the general market for some time and have avoided buying businesses that we deemed to be trading at expensive valuations for the past several years.

From a macro perspective, we see a disconnect between broad stock market valuations and valuations in the high yield credit market. The equity markets are forecasting an optimistic outlook while the high yield credit market is signaling a recession. With the addition of Randy Steuart as Partner and Portfolio Manager, we are well-positioned to take advantage of this disconnect through our new Flexible Fixed Income Fund. Randy's unique insights into security selection within leveraged capital structures has added a new dimension of depth to our bench.

While there are many reasons to be concerned about the broad markets, it is important to remember that we do not "own the market" but rather we own a handful of businesses that we understand and have a high probability of becoming more valuable over time, regardless of near-term market fluctuations.

The fundamental measure of our success will be the wealth we create for our Limited Partners over the long term. This will be a direct result of our goal to compound your investment over a reasonable timeframe while minimizing the risk of permanent loss.

If you have any questions or comments, or if there is anything in this letter that is unclear, please do not hesitate to contact us.

Yours sincerely,

John Ewing Co-Founder	Darcy Morris Co-Founder