EWING
MORRIS
INVESTMENT PARTNERS LTD.

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February 1, 2013

*"Not everything that can be counted counts; and not everything that counts can be counted."*
– William Bruce Cameron, sociologist

Dear partners and friends,

Investment Update

The Ewing Morris Opportunities Fund is currently invested in twenty-seven (sixteen long, eleven short) understandable and largely unrelated businesses. As of January 31, 2013 the Partnership has returned approximately 21% net of all fees and expenses, since inception on September 9, 2011.

Commentary

Human nature dictates that leaders, business or otherwise, crave activity and achievement. One of the most exciting aspects of business is allocating capital (acquisitions, asset sales, etc.) with the expectation of future profit. However, the reality is that not all investment decisions work out as hoped. Poor decisions about capital allocation can destroy tremendous value and lead to permanent losses of capital. Here are a few recent examples:

- In November 2007, Rio Tinto paid $38 billion to acquire Alcan. The total write-down on this investment now equals $28 billion after recently writing down the purchase by another $10 billion. Since May 2008, the stock has declined by 40%.
- In 2010, Marathon Oil sold a refinery in Minnesota to a pair of private equity firms for $600 million. In 2012, the buyers took the company public and it is currently worth over $2.2 billion. This represents a great capital allocation decision by the buyers but Marathon shareholders missed out on $1.6 billion of value.
- In 2011, Hewlett-Packard acquired Autonomy, a U.K. software company, for $11 billion. Just one year later, they wrote down the purchase by over $8 billion claiming serious accounting irregularities. Hewlett-Packard stock has declined over 60% since the beginning of 2011.

Second-guessing historical capital allocation is easy. However, assessing *future* capital allocation is difficult and imprecise. Further, capital allocation decisions rarely impact a company's short-term results since the scorecard is usually filled in years down the road. Consequently, most analysts and investors spend more time predicting future sales of items like aluminum, gasoline or ink cartridges than they do assessing capital allocation scenarios. Our examples show that even accurate predictions about a company's operations become irrelevant when management makes poor investment decisions.

In contrast, savvy capital allocation decisions can create immense value. Here are two of our favorite $10 million investments:

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- In 1973, George Steinbrenner bought the New York Yankees from CBS for $10 million. Forbes recently valued the team at $1.85 billion.
- In 1986, Steve Jobs paid $10 million for Pixar. When Pixar was sold to Disney in 2006, Jobs became Disney's largest shareholder. The investment was worth about $4.8 billion at the time of Jobs' death.

In finance, when something can't be quantified it is often overlooked. At Ewing Morris & Co. we believe that while capital allocation cannot be easily counted, it can still be studied. We spend a lot of time evaluating the capital allocation abilities of the people running companies we invest in by studying their past track records as well as their incentives. We avoid investing in companies with records of poor capital allocation and have approximately 40% of the Partnership invested with executives we consider to be Great Capital Allocators. These companies were the largest contributors to our gains in 2012. This emphasis on capital allocation is the most unique component of our investment approach.

<u>Miscellaneous</u>
We are pleased to announce another addition to the immediate Ewing Morris & Co. family with the birth of Lennox Charles Ewing on January 30, 2013.

We also welcome Robert Kaptyn to our team this month as an intern. Robert is a recent graduate from Ivey Business School at the University of Western Ontario and comes to us after working at RBC Dominion Securities.

As always, please do not hesitate to contact us if there is anything unclear in this letter.

Cordially,

John Ewing

Darcy Morris

John Ewing
Co-Founder

Darcy Morris
Co-Founder

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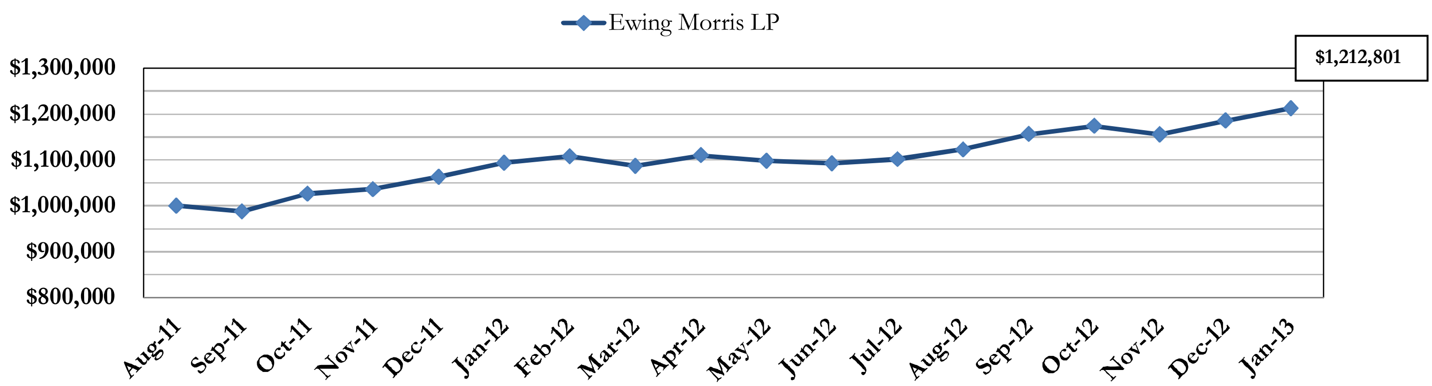
Growth of $1 million invested since inception (September 11, 2011) as of January 31, 2013




**About the Ewing Morris Opportunities Fund LP:**

The Ewing Morris Opportunities Fund LP was established by John Ewing and Darcy Morris in September 2011 to achieve preservation and growth of capital through superior securities selection. The Partnership invests in securities that are inefficiently priced based on a number of factors. The Partnership is focused on North American-based small-capitalization companies.

**CONTACT INFORMATION:**
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