EWING MORRIS
INVESTMENT PARTNERS LTD.

1407 Yonge Street
Suite 500 Toronto, ON
Canada M4T 1Y7

**telephone.** 416 640.2791
www.ewingmorris.com

July 31, 2012

Formula for success: rise early, work hard, strike oil. – J. Paul Getty

Dear partners and friends,

When evaluating an investment manager the tendency is to focus on existing portfolio holdings and past performance. However, our long term investment results will be determined by the decisions we make in the future - what we call capital allocation - more than by our current investments.

The same is true of investing in energy companies. When evaluating an energy company, most investors tend to focus on the economics of existing assets, sometimes assigning extra value for undeveloped land. However, oil and gas wells deplete at 20-30% annually which means existing assets will disappear within five years. Management is therefore tasked with reallocating the capital earned from drilled wells every year. And they invest a lot of capital! For example, EnCana, which is currently worth $15 billion, reinvests about $5 billion annually. Considering the magnitude of spending that can occur, the future value of an energy company will be heavily influenced by its future investment decisions. Consequently, when considering an energy investment, we focus our attention on management's capital allocation record.

We recognize that the valuation of energy companies cannot ignore oil and gas prices. We also recognize that commodity cycles are inevitable. However, the cyclical nature of commodity prices provides good capital allocators additional opportunities to create value. When commodity prices are low they can acquire competitors at favorable prices and when commodity prices are high, they can raise money at higher valuations. These opportunities exist for all businesses but occur much more frequently in commodity businesses. In our opinion this means having a great capital allocator at the helm of an energy company is particularly valuable.

Investing in companies run by great capital allocators is one the plays in the Ewing Morris Playbook. (please see our November 2011 letter). Great capital allocators are rare but we have found that the Canadian energy sector is a great place to find them. We currently have about 20% of the Fund invested in two energy-related companies run by great capital allocators.

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Investment Update

The Ewing Morris Opportunities Fund is currently invested in twenty-four (thirteen long, eleven short) understandable and largely unrelated businesses. As of July 31, 2012 the Fund has returned approximately 10%, net of all fees, since inception on September 9, 2011. Our goal continues to be achieving preservation and growth of capital on behalf of our limited partners and we remain confident in our ability to deliver solid results over time.

Matt Irwin has taken complete charge of firm operations with great results and limited partners should expect to receive their semi-annual financial statements in August.

Our summer intern, Jathu Vasantharajah, has done an excellent job serving as our corporate rover this summer and will be missed when he leaves us at the end of the month to begin his career with Deloitte Canada.

Another reminder that we will be hosting our inaugural Limited Partner Day on September 27th at the Toronto Reference Library at 12pm where we look forward to answering your questions. Partners are welcome to submit questions in advance.

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

Cordially,

John Ewing
Co-Founder

Darcy Morris
Co-Founder

Growth of $1 million invested since inception (9/9/11) as of July 31, 2012