

June 30, 2012

“Only those who are asleep make no mistakes.” – Ingvar Kamprad, IKEA founder

Dear partners and friends,

Our goal is to provide superior investment results for our limited partners, but unfortunately this cannot be guaranteed. We will inevitably make some investment mistakes. As described in our [February 2012 letter](#), avoiding situations that might lead to permanent loss of capital helps us reduce the magnitude of our mistakes. There are also several ways in which we minimize their frequency:

***Gain experience by studying history.*** There are only two ways to gain experience – wait for the calendar to change or speed up the calendar by studying history. History is filled with interesting stories of failure. We feel that familiarity with previous failures can inform judgments about future failures. For instance:

- Investors in infrastructure assets like ports, bridges and airports would be wise to study how railroad construction bankrupted canals by providing faster travel.
- Investors in real estate would be wise to study how Detroit’s population fell 50% in forty years as people took up residence in the suburban areas and global competition eroded the competitive advantage of the big three automakers.
- Investors in media would be wise to study how advertising substitutes led to Life Magazine being discontinued a decade after enjoying the largest circulation of any publication in the United States.
- Investors in sports franchises would be wise to study how minor league baseball attendance fell 70% during the 1950s when TV made the major leagues more accessible to small and medium sized cities.

***Conduct post-mortems.*** Like many other firms, we write a detailed investment report prior to making any investment. Although human nature is to sweep mistakes under the rug, we complete a detailed post-mortem when an investment is sold. This allows us to learn from each investment and identify similarities between investments that didn’t work out. It also helps us avoid the common trap of assuming we were right just because the stock price went up – it is entirely possible to be wrong about an investment and still make money.

***Apply psychology.*** We actively study the nature of frequent human misjudgment and incorporate these principles into our daily routine. A few examples of common cognitive shortcomings and how we address them include:

- *Groupthink* is the tendency to get caught up in herd behaviour. One way we limit groupthink is intentionally locating our office outside of Toronto’s financial district.
- *Confirmation bias* is the selective perception that emphasizes confirming information while simultaneously minimizing contradictory information. We minimize confirmation bias by actively seeking people with alternate opinions about potential investments.

- *Hindsight bias* is the tendency to believe, after an event has occurred, that it could easily have been predicted in advance (“are you sure you ‘knew’ Research in Motion was doomed three years ago?”). We minimize hindsight bias by keeping an investment journal.

***Don’t rely on management alone.*** We almost always speak with management before making an investment but they inherently provide a bias to their information. To counter this we also seek out customers, suppliers and competitors who can provide different perspectives on a company. Since many of our limited partners are active in business, our client base is often a source of unique insight and perspective that benefits our investment approach.

### Investment Update

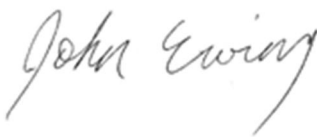
The Ewing Morris Opportunities Fund is currently invested in twenty (fourteen long, six short) understandable and largely unrelated businesses. As of June 30, 2012 the Fund has returned approximately 9%, net of all fees, since inception on September 9, 2011. We continue to position the Fund in a way that should provide at least partial insulation from the general behavior of “the markets.”

The family of limited partners invested in the Ewing Morris Opportunities Fund continues to grow and we are again pleased to welcome several new partners into the Fund this month. We have officially closed the Founders Circle but remain open to new investors.

We have decided to host our first Limited Partners’ Day luncheon in late September for those that are interested in attending. Please stay on the lookout for further information regarding exact dates and times.

As always, if you have any questions regarding this letter or our business, please do not hesitate to call or email us.

Cordially,



John Ewing  
Co-Founder



Darcy Morris  
Co-Founder

*This letter does not constitute an offer to sell or the solicitation of an offer to buy any interest in the Ewing Morris Opportunities Fund LP. Such an offer to sell or solicitation of an offer to buy interests may only be made by way of a definitive subscription agreement and are only available to investors who meet legal requirements for investor suitability and sophistication.*