

March 31, 2012

"Investing is like being able to take a test in school where you can answer any 10 questions of your choice on a 100-question test. You answer only those you know well and ignore those that are very difficult to answer."

— Murray Stahl

Dear friends and investors,

Investors often ask us where we get our investment ideas. Do we have a Bloomberg terminal? Do we get good ideas from brokers even though we are a small investment firm? Do we feel out of the loop not having an office on Bay Street? Our answer is that we don't rely on a Bloomberg terminal, brokers or the rumour mill to generate ideas.

In Ted Williams' book, *The Science of Hitting*, he describes the idea of the "Fat Pitch." Williams divides his strike zone into sectors, determines his success rate in each sector and attempts to only swing at pitches where his odds of success are high. We apply the same approach to investments, focusing our efforts on businesses we understand well and making relatively large investments when we find attractive investment opportunities. Accordingly, our investment ideas are generated within the framework of our Investment Playbook:

1. Cheap Assets

We review the 52-week lows list for major North American exchanges on a daily basis. While these businesses are not necessarily cheap, they are, by definition, cheaper than they used to be and represent a good place to look. Businesses that own fixed assets that can be valued independent of current earnings (i.e. real estate, timber, drilling rigs, etc.) are another place we search for "Cheap Assets."

2. Great Businesses

Knowledge of great businesses is acquired cumulatively, but opportunities to buy these businesses at reasonable prices are rare. We maintain a Wish List of "Great Businesses" that we would love to own if the price was right. We monitor these regularly and have alerts to notify us if these businesses reach attractive levels.

3. Great Capital Allocators

Great allocators of capital are difficult to identify directly. But if we discover an outstanding record of capital allocation while researching a "Cheap Asset" or "Great Business" candidate, we will reconsider the business as a candidate for a "Great Capital Allocator" investment. Businesses that are run by their founders and have large insider ownership are also a good place to look.

4. Broken Businesses

The most important contribution an analyst can make is to creatively answer the question, "What can go wrong?" When studying a "Great Business" we spend most of our time researching this question. If the answer is "almost nothing" the business becomes a candidate for a "Great Business" investment. However, if there are many potential answers, it becomes a "Broken Business" candidate.

Investment Update

As of March 31, 2012 the Ewing Morris Opportunities Fund LP has returned approximately 8%, net of fees, since inception on September 9, 2011. The Fund currently has 80% invested in thirteen long positions offset by 15% in nine short positions resulting in a cash position of 35%. While this math may not make immediate sense, we take the money received on a short sale and hold it as cash. If you ignore the short sale positions, our net cash position at March 31st was 20%.

Attentive readers will note that the Fund's value declined in March. This was primarily caused by 10% declines in each of our two largest investments. Upon careful review, we do not believe there has been any fundamental change in the value of either business. As we have previously described, just because a stock is cheap does not mean its price won't decrease further. Market volatility is only a source of risk if you can be forced to sell; otherwise, volatility represents a source of investment opportunity for those who are prepared. Consequently, we bought more of both companies in March.

PricewaterhouseCoopers have completed their audit of the Fund's 2011 financial statements. The financials, along with our Annual Letter to Limited Partners and T5013 tax slips, have been mailed and should be received within about a week.

If you are aware of anyone that may be interested in learning more about our firm, we would be pleased to speak with them. The Founders Circle remains available to early stage investors that commit at least \$500,000 and provides an opportunity to join us without any management fees for 12 months.

As always, do not hesitate to contact us if you have any questions regarding this letter, the annual financials, your investment in the Fund, etc.

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.