EWING
MORRIS
INVESTMENT PARTNERS LTD.

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December 2, 2012

"If you walk into a drugstore and say 'I'd like a Hershey bar' and the man says 'I don't have any Hershey bars, but I've got this unmarked chocolate bar, and it's a nickel cheaper than a Hershey bar', you just go across the street and buy a Hershey bar. That's a good business."
– Warren Buffett

Dear partners and friends,

Investment Update

The Ewing Morris Opportunities Fund LP is currently invested in twenty-four (fourteen long, ten short) understandable and largely unrelated businesses. As of November 30, 2012 the Partnership has returned approximately 15%, net of all fees and expenses, since inception on September 9, 2011. The net return to individual portfolios will be different from the since inception number depending on when one joined the Partnership.

Commentary

Since companies have an incentive to maximize profits, it is usually safe to assume that a company's products are priced appropriately. When a company raises prices, it normally loses at least some of its customers. The extra profit from the remaining customers is offset by the lost profit from the departing customers so the company is usually better off leaving prices alone.

However, on rare occasions a company will unintentionally underprice its product which creates a hidden opportunity for exponential profit growth. Consider the math: imagine you sell gourmet sandwiches for $10 that cost you $9 to produce (i.e. your profit is $1). If you raise prices by 20% to $12 with no change in your costs, you will *triple* profits *as long as you sell just as many gourmet sandwiches* ($12 - $9 = $3 vs. original profit of $1). Let's look at a more illustrative example:

Not long after becoming CEO of Disney, Michael Eisner decided to raise the admission prices at Disneyland and Walt Disney World. In 1986, the admission price was raised from $19.50 to $24.50 – a 26% increase. Despite the higher price, attendance actually went *up* which proved that the parks' admission was underpriced. This makes sense – can you imagine telling your children you've cancelled the March Break trip to Orlando because it is going to cost an extra $5 per person? Since the costs of running a theme park don't vary much with attendance, profits soared, rising from about $250 million in 1985 to more than $400 million in 1986. Meanwhile Disney's stock price tripled.

Eisner didn't change anything about the parks; he just recognized that his predecessors had neglected to raise prices. Simply by raising prices, Eisner "found" an extra $150 million of profits that no analyst knew existed. That is the magic of what we call "untapped pricing power" and untapped pricing power is also a gift that keeps on giving. The conditions that allowed you to raise prices usually persist, which means you can continue raising prices in the future. For example, the equivalent admission price for Disneyland is now $95! A company that has untapped pricing power is almost always a good investment opportunity.

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While it's never obvious on first look, our approach to analyzing a company's competitive position and pricing gives us an opportunity to find similar situations. You won't see untapped pricing power on a Bloomberg terminal or in a quarterly earnings report. The only way to find it is to study a company in detail to understand its underlying business economics and competitive position. Only then will you be able to recognize the unique opportunity that exists.

<u>Miscellaneous</u>

The family of limited partners continues to grow and we would like to welcome two new limited partners into the Partnership this month.

Our colleague Matt Irwin joined Ewing Morris & Co. in December 2011 and has since been an invaluable contributor in laying our firm foundations. We are pleased to announce Matt has accepted an offer to become an equity partner of the firm.

We would also like to officially welcome the members of our Board of Advisors. Their experience and insight will help to guide our corporate development as we now build on the foundations of our firm. Joining us as members are Avie Bennett, Martin Connell, Linda Haynes, Vahan Kololian, John MacIntyre, Hon. David Peterson and David Wilson.

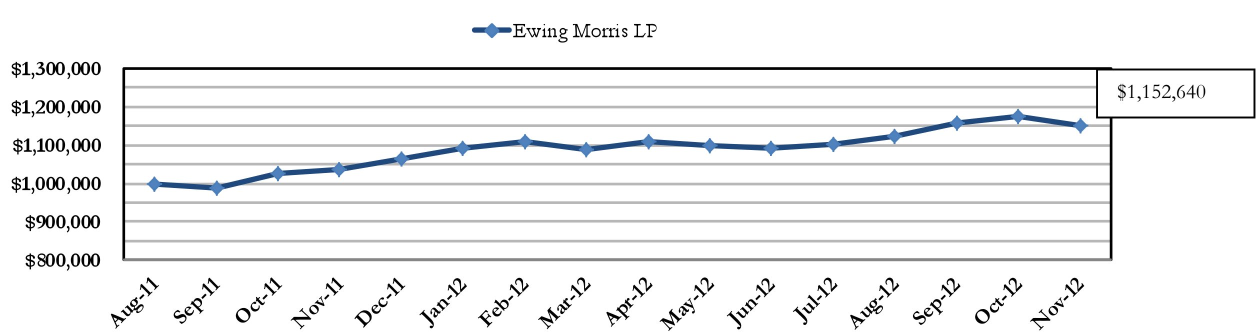
As always, please do not hesitate to contact us if there is anything unclear in this letter.

Cordially,

John Ewing
Co-Founder

Darcy Morris
Co-Founder

<u>Growth of $1 million invested since inception (September 11, 2011) as of November 30, 2012</u>



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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.

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