

November 30, 2011

“The company without a strategy is willing to try anything.” – Michael Porter

Dear partners and friends,

Investors are often asked to describe their investment strategy. To our knowledge, it has never been answered with the explanation that the investor likes to overpay for shrinking, low-quality businesses run by subpar management teams (although this is quite often what happens). We find the general method in which most investment managers describe their strategy rather unenlightening as they usually use generic terms like “growth”, “value” and “good management” or mystifying financial jargon.

Instead of conventional classification, we like to describe our investment strategy using the analogy of a playbook. A team with only one play can often be stopped but a championship team will have perfected a few plays to ensure success regardless of game conditions and the opposition’s tactics. The Ewing Morris playbook involves four plays:

***1. Great Economics, Wide Moat & Long Runway***

The ideal business to own is highly profitable, has a sustainable competitive advantage (like a moat around a castle) and has one or more terrific growth opportunities ahead. Unfortunately, since almost everybody knows that a business like this is desirable, these companies normally trade at premium prices. Anybody who tells you they own a diversified portfolio of terrific businesses all purchased at cheap valuations is likely misleading either you or themselves. The opportunity for disciplined investors to buy wonderful businesses at attractive prices occurs when short-term issues or headline risks obscure their long-term potential. Since these opportunities are rare we need other options...

***2. Great Capital Allocators***

The most important task for a CEO is to allocate profits to attractive reinvestment opportunities. Common alternatives include: internal expansion, acquiring other companies, stock buybacks and dividends. CEOs are normally appointed based on past success in functions like sales or operations and few practice capital allocation prior to becoming CEO. It is not surprising that many executives struggle with capital allocation while those who succeed often create immense shareholder wealth. Like reputation, good capital allocation is hard to quantify but very valuable. Stock prices frequently fail to reflect great capital allocation ability, thereby creating investment opportunity.

***3. Cheap assets***

Often the stock market unduly focuses on a company’s current earnings while ignoring the value of its assets. This creates an opportunity for investors to buy cheap assets and wait for the market price to more accurately reflect the underlying asset value.

#### ***4. Broken Business Models***

The most important question someone can ask before making an investment is “what could go wrong?” Studying how great businesses fail is a good way to avoid overpaying for stocks but has also taught us to identify businesses likely to fail in the future. Betting against these businesses is a potentially profitable investment strategy.

Every investment we make at Ewing Morris can be categorized within one of these four plays. More information about our playbook is available at [www.ewingmorris.com](http://www.ewingmorris.com) in the “Approach to Investing” section. Registration will be required.

#### Update

As of November 30, 2011 we have invested approximately 62% of capital in fifteen businesses while the Fund has returned approximately 3.5% since inception\*. We continue to take advantage of recent volatility by deploying capital in declining markets.

We are excited to announce the addition of Matthew Irwin to our team. Matthew will be responsible for operations and will also contribute to client relationships and investment research. He previously led operations for a Toronto-based hedge fund while contributing to investment research and client relationships. Matt received his MBA from the Richard Ivey School of Business in 2008, is currently a candidate in the CFA program and is a Duke of Edinburgh Gold Medal recipient.

We are also pleased to welcome a number of new limited partners into the Fund this month. Please do not hesitate to call or email us if you would like to learn more about our firm or have any questions regarding this letter.

Cordially,



John Ewing  
Co-Founder



Darcy Morris  
Co-Founder

*\*September 9, 2011*

*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.*