EWING MORRIS
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"If you can keep your head when all about you are losing theirs." – Rudyard Kipling

Many people have been asking about our reaction to extreme market volatility since our fund launched in early September. Our answer is that we are taking advantage of it because we understand Ben Graham's Mr. Market parable and came prepared with a game plan:

The Parable of Mr. Market*

Ben Graham, a legendary investor, thought you could benefit as an investor by imagining you are partners in a business with a man named Mr. Market. You have an odd arrangement with your partner: every day he will name a price and you can make one of three choices:

1. Buy Mr. Market's share at the named price
2. Sell your share to Mr. Market at the named price
3. Ignore Mr. Market

Mr. Market is also an unusual person. He is very emotional – swinging between optimism and pessimism – and he doesn't mind being ignored. When he is optimistic, he worries that you will buy him out of imminent gains and will name an unreasonably high price. When he is pessimistic, he worries that you will sell your share to him unless he names an unreasonably low price.

Given these conditions, if you are an independent thinker with sound business judgment, you can take advantage of Mr. Market, buying from him at low prices when he is pessimistic and selling to him at high prices when he is optimistic. ***In fact, the more volatile his emotions, the more you can take advantage of him***. However, if you allow his mood to influence your own, you will find yourself buying when you are euphoric and selling when you are scared. That is a recipe for financial ruin.

The Game Plan

When we launched the Ewing Morris Opportunities Fund on September 9, 2011 we had prepared a portfolio of a few carefully chosen investments. We were comfortable investing about 80% of your capital in eleven businesses at then-current prices.

However, given the recent volatility, we wanted to be ready to take advantage of Mr. Market. So we made the following plan to invest your capital over a ten week period:

- Invest 10% of capital each week for ten weeks
- Invest the weekly allocation only on a "down" day when the market declines
- If there is a second "down" day in the same week, invest next week's allocation today
- If there are no "down" days, defer this week's investment until next week

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Instead of asking, "Europe is down 3%, what should we do?" we say, "Europe is down 3%. We should buy 1,000 shares of XYZ today." Decision making is almost always improved by minimizing the impact of our emotions. Our plan has allowed us to make decisions without being influenced by the feeling of fear experienced by all of us when markets decline.

<u>Summary</u>

We continue to follow our game plan. To date we have invested about 50% of your capital at better than originally expected prices. Since inception, we have returned approximately 3% while limiting portfolio risk with a substantial cash position and a few carefully chosen short positions. We still have plenty of buying power if markets should decline but we would be content to continue investing at current prices.

We would be honoured if you decided to join us and our existing partners. 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. More information about our firm is now available at www.ewingmorris.com.

Cordially,

John Ewing Darcy Morris

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.*