EWING
MORRIS
INVESTMENT PARTNERS LTD.

May 1, 2016

Dear Friends and Partners,

With the first quarter of investment management complete, we ended the month of April with the Fund approximately 80% invested. While not fully invested, we believe it is closing in on a steady-state, given current market conditions. The portfolio is well-diversified by business model, credit quality, term and investment "play". The fund returned approximately net 1.0% in April and net 5.6% since inception on February 1, 2016.

In our March quarterly letter, we expressed that the magnitude of high yield's rally in March was unusual. After April added another 4%, this brought the two-month performance of the market to more than 8%. This was an even more unusual result as one has to look back to 2009 in order to find an 8%+ return over a time period of two calendar months. The best explanation of this move in the market has been one of basic economics - demand and supply; ten of the last eleven weeks have seen fund net inflows into the high yield asset class, with investors adding approximately $15 billion to high yield managers. Despite some of this demand being met with new issues, the new issue market has been slow on a year-to-date basis, with new issuance down 44% over last year. As a result, high yield funds were forced into the open market, purchasing any bonds that were available. This caused market prices to move upwards consistently through the month. We would like to note that performance streaks of this nature tend to be short-lived in the high yield market, particularly when corporate fundamentals have not materially changed. With the yield of the index currently at 7.6%, (vs. 10% in February) our general expectation is that the rest of the year's returns are likely to be made more through income rather than through further price increases.

Today, the portfolio is currently 15% invested in investment grade bonds, it owns no CCC-rated bonds and has a 20% cash balance. From a bottom-up perspective, the average bond in our portfolio trades at 95 cents on the dollar (in-line with the market), has a "loan to value" of 35% and its issuer has an average equity market value of $7.2 billion. A noteworthy development that emerged in the high yield market in April was the difference in returns between high quality and low quality bonds. In the month, lowest quality bonds (the CCC rating sub-index) had performance that doubled that of the highest quality bonds (the BB rating sub-index). This was evidence that the market's concerns with underlying investment risks were taking a back seat to the desire for yield. As the Fund was invested in higher quality credits and had equity hedges to control risk, Fund performance predictably lagged the high yield market. Despite its conservative positioning, the portfolio currently produces a yield of 5.9%. We continue to believe the Fund's portfolio construction demonstrates our efforts to protect your capital while working to generate returns in our targeted net 5-7% long-term range.

Best regards,

Randy Steuart

Randy Steuart
Flexible Fixed Income Fund Portfolio Manager

About Ewing Morris & Co. Investment Partners Ltd.:

Ewing Morris & Co. is a value driven Canadian boutique investment firm established in 2011. The Ewing Morris Flexible Fixed Income Fund LP invests in carefully selected, primarily high yield, fixed income securities while controlling risk through cross-capital structure hedging.

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