

June 1, 2016

Dear Friends and Partners,

As of May 31, it has been four months since we launched the Ewing Morris Flexible Fixed Income Fund LP. The Fund is now 90% invested, which we regard as appropriate given the opportunity set available in corporate bonds today. The Fund remains well-diversified across many dimensions and is reasonably defensive in its positioning. The Fund returned approximately net 1.2% in May and net 6.9% since inception on February 1, 2016.

In May, the high yield market returned +0.72%, with underlying bond prices largely unchanged month-over-month. The stable returns witnessed in May were much more characteristic of High Yield than the volatility that was seen earlier in the year and in the back half of 2015. The major dynamic at play in May was a strong continuation of demand for bonds. Corporations (and their investment bankers) were quick to meet demand by releasing meaningful new issue supply into the market. However, 2016's year-to-date issuance of ~\$100 billion is still tracking well below that of 2015, at \$163 billion. Given this dynamic, we would not be surprised if demand continued to be well-matched by new issue supply, thereby limiting pricing upside in the bond market. In our last update, we expressed our belief that the rest of the year's returns are likely to be made through income rather than price increases. Our view is no different today.

The portfolio remains conservatively structured, with an emphasis on higher quality companies and bonds. The portfolio's average bond is trading at 96 cents on the dollar and has a "loan to value" of 32% with its underlying company having nearly \$10B in equity market capitalization. While we have a higher quality bias, the bonds in the portfolio that do have more credit risk tend to have either strong structural positioning or an equity hedge, highlighting our defensive approach. Despite this conservative positioning, the portfolio carries a 6% yield. This yield is attractive to us, given our view of the underlying term and credit risk of the portfolio. We also find it attractive relative to the typical high yield or investment grade bond we are seeing in the U.S. market today. As always, investment research dominates our day-to-day activity and we are pleased to report our efforts are being rewarded as we continue to find mispriced securities, particularly in Canada. Against the backdrop of a more orderly market, we believe that security selection will be a critical factor in producing returns. Given this dynamic, we believe our investment style which focuses on company fundamentals and security analysis is well-suited to the current environment.

Thank you for your support and participation in the Ewing Morris Flexible Fixed Income Fund LP. Please do not hesitate to contact me, Darcy or Jenna if you have any questions or comments.

Cordially,



Randy Stewart
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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