EWING MORRIS INVESTMENT PARTNERS LTD.

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June 30, 2018

Dear Friends and Partners,

Investment Update

The following table summarizes our investment performance, net of all fees and expenses, as well as the performance of well-known and widely-followed investment alternatives for our limited partners.

Year	**Ewing Morris Opportunities LP Class A**[1]	S&P 500 Index with Dividends Included	S&P/TSX Index with Dividends Included
2018 (YTD)	**7.5%**	2.6%	1.9%
Since Inception (Annualized)	**11.0%**	15.8%	7.2%
	Ewing Morris Flexible Fixed Income LP Class P[2]	iShares U.S. High Yield Bond Index ETF (CAD-Hedged)[3]	iShares Canadian Corporate Bond Index ETF[3]
2018 (YTD)	**3.6%**	-1.3%	0.6%
Since Inception (Annualized)	**10.4%**	8.4%	2.9%

Announcements

Our business has grown since we started our operations in 2011. We now have over 150 client relationships. It is important that each of you continue to receive the level of service you have come to expect and deserve. To that end, we are delighted to officially welcome William Jones to the Ewing Morris team as Partner, Relationships. He will assist us with both existing relationships as well as new business. Prior to Ewing Morris, Will was a Partner in the Corporate Securities group of Borden Ladner Gervais LLP, a leading national law firm, where he had significant business development and relationship responsibilities with a wide variety of clients. Will is a graduate of Huron College at the University of Western Ontario and earned his law degree at Queen's University.

Opportunities Fund LP Commentary

As of June 30, 2018, the Opportunities Fund LP has returned 7.5%,[4] net of fees, year-to-date. This compares to 2.6% for the S&P 500 and 1.9% for the S&P/TSX. Despite the valuation environment, we are optimistic about the return potential of our portfolio. We also have significant

[1] Results are estimates as of June 30, 2018 and are net of all fees and expenses. Fund inception was September 9th, 2011.
[2] Results are estimates as of June 30, 2018 and are net of all fees and expenses. Fund inception was February 1st, 2016.
[3] Note: Low-cost, index tracking funds; representative of an individual's opportunity cost in fixed income.
[4] Returns are estimates until NAV is finalized

embedded downside protection; over 20% of capital is invested in bonds and the short book has never been larger.

Flexible Fixed Income Fund LP Commentary

Year-to-date, the Flexible Fixed Income Fund has delivered a positive 3.6%[4] return, net of fees. Amidst a backdrop of rising interest rates and volatility, the Fund has outperformed its high yield bond benchmark. An important advantage we have is our flexible mandate. Most notably, earlier this year, we have put in place equity hedges and meaningful short positions in the credits of investment grade-rated branded food companies. These two portfolio hedges contributed more than 1.5% percentage points to fund returns. We have also used our flexibility to avoid popular bonds held in US high yield ETF's and have been increasing our investments in select Canadian high yield bonds. These two plays, combined with our core emphasis on the more stable Canadian high yield bond market, have helped us avoid 2018's problem areas of fixed income.

We are mindful of economic and market-based signals that suggest we are approaching the end of an economic cycle and have continued to manage the Fund with capital preservation at the forefront of our decision-making. From a portfolio hedging perspective, we continue to examine the investment grade corporate bond market and the leveraged loan market for opportunities. Despite weak returns, retail fund flows into these markets remain robust. We shudder to think how these asset classes will perform if fund flows reverse and investors withdraw capital from these areas.

Investment Commentary – Corporate Orphans

We have witnessed an increasingly frequent disconnect between public and private market valuations within the Canadian small cap universe. Take, for instance, the following acquisition premiums over the past few years:

- Amica Mature Lifestyles acquired in 2015 for $1.1 billion (***128% premium***);
- Rona acquired in 2016 for $3.2 billion (***110% premium***);
- Lumenpulse acquired in 2017 for $590 million (***84% premium***);
- AlarmForce Industries acquired in 2017 for $200 million (***71% premium***); and
- Pure Technologies acquired in 2017 for $515 million (***96% premium***).

These unusually large takeover premiums (a 30% premium is typical) are the result of the growing number of orphaned companies in Canada. We define orphans as companies with market capitalization between $50 million and $1 billion that have: 1) limited insider ownership (<10%); 2) no controlling shareholder; and 3) are covered by less than three analysts. We have identified over 200 orphan companies in Canada. There are four primary reasons for the large number of corporate orphans:

1. Increasing flows towards passive strategies has drained the small cap universe of capital;
2. Buy-side consolidation (CI Financial/Sentry Select, Fiera/CGOV, Scotiabank/Jarislowsky Fraser, etc.);

3. For compliance reasons, bank-owned brokerages, which dominate retail assets, discourage small cap ownership by discretionary brokers through the use of approved lists that rarely include small cap stocks; and
4. Sell-side profitability has been decimated by electronic trading. Today, sell-side research is directed almost exclusively towards companies that have the potential to generate imminent investment-banking mandates. All other companies are ignored.

Over the past 7 years, Ewing Morris has developed a proven track record as pro-active shareholders, including representation on the Board of Directors of six Canadian companies, having generated IRRs in excess of 20% on these investments. Through constructive engagements with boards and management, we can influence the corporate actions of public companies in order to unlock shareholder value. With equity valuations near record levels, credit spreads near historical tights and alternative asset classes looking increasingly crowded, the opportunity to participate in this inefficient market niche is clear.

We always prefer that existing management teams and their boards do the work of unlocking shareholder value. However, if a situation calls for more active involvement from shareholders, we will not watch idly.

Miscellaneous

We are happy to announce the launch of the Ewing Morris Fellowship program. The Ewing Morris Fellowship is a program designed to provide aspiring investment professionals with an opportunity to gain experience and skills that should help them break into the industry. A successful candidate can expect to work closely with members of our investment team on a wide range of projects with a particular focus on publicly-listed businesses. Please visit the Careers section on our website (link) for application instructions. We look forward to hearing from you.

We would also like to thank everyone who attended our annual meetings this year in Calgary and Toronto. We strive to make the event better each year, so your feedback is welcome. If you were unable to attend, we have posted the transcript here.

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

Yours sincerely,

John Ewing
Co-Founder

Darcy Morris
Co-Founder

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About Ewing Morris:

Ewing Morris & Co. Investment Partners Ltd. is a value driven Canadian investment firm established in September 2011 by John Ewing and Darcy Morris. Our aim is to achieve preservation and growth of capital for our Limited Partners by focusing on inefficient markets. We do this by relying on fundamental analysis, high conviction and the use of flexible capital. We manage strategies with a focus on small and mid-cap companies. We manage investments for individuals as well as charitable organizations, institutions and corporations.

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