EWING MORRIS
INVESTMENT PARTNERS LTD.

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March 31, 2018

"If you buy a stock and it goes down and that upsets you, it obviously means you think the market knows more about the company than you do. In that case you're the patsy. If you want to buy more because you know the business is worth just as much as when you bought it, perhaps a little more, so you buy more, it's the patsy." - Warren Buffett

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/TSX Index with Dividends Included	S&P 500 Index with Dividends Included
2018 (YTD)	**-1.2%**	-0.8%	-4.5%
Since Inception (Annualized)	**10.0%**	15.8%	6.5%
	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)	**1.9%**	-2.5%	0.1%
Since Inception (Annualized)	**10.8%**	8.8%	2.9%

A Word About Volatility

Most economists (and many investors) define risk as price volatility. In contrast, we define risk as the odds of a permanent loss of capital. While our historical volatility has been lower versus broader equity benchmarks, a focused portfolio of smaller companies always has the potential to be volatile. One way to reduce volatility is to consider shifting some of your investment to the Ewing Morris Flexible Fixed Income Fund. Long term, your returns will be lower, but the ride will almost certainly be smoother.

[1] Results are estimates as of March 31, 2018 and are net of all fees and expenses. Fund inception was September 9th, 2011.
[2] Results are estimates as of March 31, 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.

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Opportunities Fund LP Commentary

As of March 31st, 2018 the Opportunities Fund LP has returned -1.2%,[4] net of fees, since the beginning of the year. This compares to -0.8% for the S&P 500 and -4.5% for the S&P/TSX. The quarter was marked by the return of volatility in the broad markets, with the S&P 500 returning its first negative quarter since 2015. This should not be unexpected after 2017, which ranked as the least volatile year on record. Throughout the quarter, we took advantage of the volatility by adding to several of our existing investments. While U.S. trade agreements have been making headlines, we believe the portfolio's economic exposure is modest.

Flexible Fixed Income Fund LP Commentary

The Flexible Fixed Income Fund has delivered a positive 1.9%,[4] net of fees, for the quarter ending March 31st, 2018. This stands in stark contrast to the broader fixed income markets. In the traditional corporate bond world, year to date returns have been ugly. For example, the largest corporate bond ETF[5] has delivered a negative 2.9% return so far this year.[6] The largest high yield bond ETF[7] hasn't fared much better, having delivered a negative 1.0% return year-to-date.[6]

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The Flexible Fixed Income Fund currently yields 6.6% and is invested in fixed income securities that are reasonably valued with solid underlying balance sheets. The portfolio also has low exposure to bonds held in ETFs and has a number of hedges to provide further stability for the fund. If you are concerned about broad market equity valuations as well as traditional fixed income exposure, we continue to have high conviction that an allocation to the Flexible Fixed Income Fund makes sense. Indeed, it has been designed to serve this purpose for investors.

Investment Commentary – Packaged Food Debt

In our December 2017 letter, we outlined our framework for shorting bonds. We have identified a number of packaged food companies, including Kraft-Heinz, Kellogg, Smucker and Campbell Soup, which seem particularly vulnerable to industry change.

The entire packaged foods sector is under pressure from a number of directions. Trends towards healthier eating are hurting demand, retailers are emphasizing private label offerings more than ever and new entrants like Amazon are disrupting the value chain.

Equity investors have started to notice; the stocks of these companies declined ~10% in 2017 compared to the S&P 500 which increased 20%. That 30-point underperformance is exceptionally large and we would expect these companies to attract interest from activist shareholders.

[4] Returns are estimates until NAV is finalized
[5] iShares iBoxx US$ Investment Grade Corporate Bond ETF (LQD)
[6] Total shareholder returns from last closing price as of December 31, 2017 until last closing price as of March 31, 2018
[7] iShares iBoxx US$ High Yield Corporate Bond ETF (HYG)

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In order to fend off activists, we expect the management teams will feel intense pressure to "do something!" "Something" likely involves one (or more) of the following options: 1) increase dividends, 2) buyback stock, 3) buy something, 4) sell the company. Each of these alternatives has negative consequences for bondholders.

To summarize, investment grade debt is historically expensive and debt issued by the packaged food sector seems particularly vulnerable to both industry trends and corporate actions. In addition to representing a good stand-alone opportunity, we think this investment represents a good hedge for both our equity and high yield bond investments.

Miscellaneous

We are pleased to welcome two new members to our team. Cynthia Chan, CPA, CA, joins us from Crowe Soberman LLP, as our Controller and Oghale Omosa joins us from GEM Investment & Advisory Partners Ltd to head our Client Services team.

Our Annual Meeting will take place April 25, 2018 at the Toronto Reference Library this year. We will also hold a meeting at the Calgary Petroleum Club on April 18th, 2018. If you are interested in attending, please RSVP to jillhamblin@ewingmorris.com.

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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