EWING MORRIS INVESTMENT PARTNERS LTD.

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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)	**7.9%**	1.4%	10.6%
Since Inception (Annualized)	**10.7%**	6.9%	16.4%
	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)	**3.9%**	1.2%	-0.2%
Since Inception (Annualized)	**9.5%**	8.6%	2.3%

In our experience, predicting the near-term direction of the markets is a "low-probability exercise". In recent years, however, each of us has joined the investment committees of important institutions,[4] and in these roles, we find ourselves forced to think about long-term return expectations for broader asset classes like stocks and bonds. We thought it might be helpful to share our thinking while placing Ewing Morris portfolios in context.

Our Equity Return Expectations

Our approach when setting return expectations for the broad markets is based on applying the long-term averages for earnings growth and valuation (i.e. mean reversion). The key determinants of equity returns are a combination of earnings growth, dividend yield and changes in valuation. Earnings growth has historically contributed 5-6% to returns and, today, dividend yields are about 2%.[5] That means if we assume current valuations persist, investors can expect 6-8% returns from stocks over the next few years. The long-term average trailing P/E multiple on the S&P 500 is about 17x.[6] Today, however, valuations are above long-term averages at ~21.1x. It would not surprise us to see valuations compress over the next decade towards their long-term average.

[1] Results are estimates as of September 30, 2018 and are net of all fees and expenses. Fund inception was September 9th, 2011.
[2] Results are estimates as of September 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. Bloomberg.
[4] Darcy: Art Gallery of Ontario; John: University of Guelph.
[5] Bloomberg
[6] Average Monthly P/E Ratio (January 1928 – September 2018). * 6% is average long-term historical annual EPS growth rate

Markets require >8% growth or multiple expansion for double-digit returns

Current P/E* = 21.1x

In order to expect 10% returns, need to believe either:

- Earnings growth >8% CAGR; or
- Multiples expand.

Earnings Per Share Growth

Exit P/E Ratio	2%	4%	6%*	8%	10%
12x	-6.9%	-5.1%	-3.3%	-1.5%	0.3%
14x	-4.0%	-2.2%	-0.3%	1.5%	3.3%
16x	-1.5%	0.4%	2.3%	4.2%	6.1%
18x	0.8%	2.7%	4.7%	6.6%	8.6%
20x	2.9%	4.9%	6.9%	8.8%	10.8%
22x	4.9%	6.9%	8.9%	10.9%	12.9%
24x	6.7%	8.7%	10.8%	12.8%	14.9%
26x	8.4%	10.4%	12.5%	14.6%	16.7%

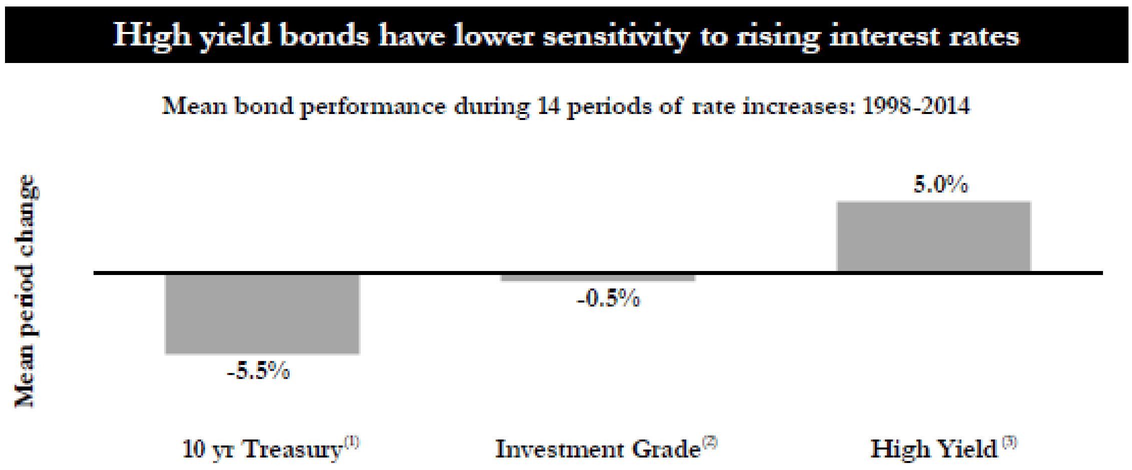
Source: Bloomberg

Fixed Income Return Expectations

Fixed income returns are primarily determined by going-in yields and changes in credit risk and subsequent inflation rates. Today, a 10-year Government of Canada bond yields just 2.3%. Investment grade corporate bonds typically yield an additional 100 basis points (i.e. 3.3%), while high yield bonds generally offer yields slightly below 6%.[7] In both cases, credit spreads (the extra compensation an investor demands to lend to a company rather than the government) are narrower than historical averages; this means that returns on corporate bonds will likely be somewhat lower than the yield suggests. To summarize, at current valuations, investors can reasonably expect to earn 2.5%-6% from bonds *before* taxes and inflation.

With most central banks raising interest rates, we also think it is important to highlight the effects of rising interest rates on different sub-sectors within fixed income. We believe that high yield is particularly attractive in periods of rising rates. Historically, when rates rise, high yield bonds have both: A) outperformed other categories of fixed income; and B) delivered positive returns.

[7] Source: ICE BofAML Canada Corporate Index; ICE BofAML US Hedge Yield Index (CAD-Hedged)



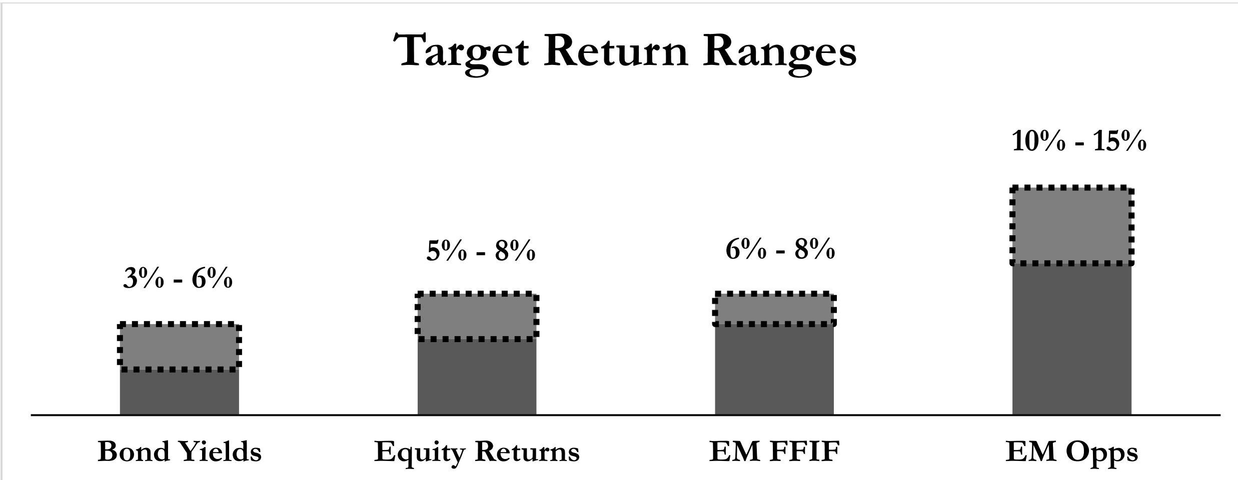
Source: TIAA-CREF Asset Management, "The Enduring Case for High Yield Bonds", May 2015. [1)] BofAML 10-year US Treasury Index; [2)] BofAML US Corporate Index; [3)] BofAML US Cash Pay High Yield Index

What does it all mean?

Investors have grown accustomed to double-digit equity returns over the past decade (if they were not heavily invested in the TSX Composite); but, as the warning says, "past performance is not an indicator of future outcomes." As we have described above, future returns will likely be much lower. Specifically, we think investors should expect 3-6% returns from bonds and returns from stocks in the 5-8% range.

An astute reader might ask, "If I can earn 6% from high yield bonds, why would I bother with all the risks associated with stocks?" That is a fair point. If you are seeking stable, mid-single digit returns with enhanced downside protection, the Ewing Morris Flexible Fixed Income Fund aims to meet your needs. Currently the Flexible Fixed Income Fund yields 6.7% and we think it is an excellent place to park dry powder.

That same astute reader might also ask, "If you think stocks are going to return 5-8%, how does Ewing Morris realistically expect to deliver double-digit returns in the future?" Our focus on opportunity-rich areas of the market, specifically small cap equities (Canada in particular) and high yield bonds, continues to produce a sufficient number of mispriced businesses. In fact, our enthusiasm about the Opportunities Fund portfolio has rarely been higher (late 2015 being the only possible exception). It is also important to remember that our Opportunities Fund is not a fully-invested long-only large cap portfolio. Today, our long positions have been underwritten to achieve 15%-20% IRRs while our defensive positioning remains strong. Our short book accounts for 30% of the portfolio (the highest it has been) and another 25% of the portfolio in fixed income securities that should hold value much better than equities in a market correction.



It is important to stress that we do not expect to meet our target return hurdle every month, every quarter, or every year. Instead, we look at returns over a five-year timeframe and focus our efforts on factors that can cause us to miss our return hurdle.[8] In summary, we will continue to leverage our advantages of size, flexibility and focus to deliver returns that meet our investors' expectations over time.

As always, please do not hesitate to contact us directly should anything in this letter be unclear.

Yours sincerely,

John Ewing
Co-Founder

Darcy Morris
Co-Founder

[8] The most common factors are: failing to properly evaluate an enterprise's earning power prospects; paying too much for a business; underestimating the effect of financial leverage; inadvertently having too much of the fund's assets exposed to a single economic factor or technological risk.

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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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