

April 15, 2020

Dear Friends and Partners,

	YTD <sup>1</sup>	3 years	5 years	Since Inception <sup>2</sup>
<b>Flexible Fixed Income Fund</b>	<b>-13.7%</b>	<b>-0.2%</b>	---	<b>3.8%</b>
<i>iShares U.S. High Yield Bond Index ETF (CAD)</i>	<i>-17.0%</i>	<i>-2.2%</i>	---	<i>2.6%</i>
<b>Opportunities Fund</b>	<b>-40.4%</b>	<b>-12.9%</b>	<b>-3.4%</b>	<b>2.8%</b>
<i>S&amp;P/TSX Composite Index</i>	<i>-20.9%</i>	<i>-1.9%</i>	<i>0.9%</i>	<i>4.0%</i>
<b>Dark Horse</b>	<b>-17.5%</b>	<b>-2.7%</b>	<b>3.2%</b>	<b>7.6%</b>
<i>S&amp;P/TSX Small Cap Index</i>	<i>-38.1%</i>	<i>-15.9%</i>	<i>-6.2%</i>	<i>2.9%</i>
<b>Canadian Small Cap Fund</b>	<b>-36.6%</b>	<b>-11.4%</b>	---	<b>0.4%</b>
<i>S&amp;P/TSX Small Cap Index</i>	<i>-38.1%</i>	<i>-15.9%</i>	---	<i>-7.2%</i>

You have received your monthly statement which outlines the March 31 value of your holdings in the Ewing Morris Limited Partnership Funds.

For equity portfolios, generally, it has been a brutal period. The market value of the Russell 2000 Index, the major U.S. small cap index, was off 30.6%<sup>3</sup> for the first quarter. The high yield bond index was off 14.8%<sup>4</sup> and the investment grade index declined 20%<sup>5</sup> before rebounding towards the end of the month, to end the quarter down 7.5%<sup>6</sup>. Against this backdrop, the Opportunities Fund portfolio has declined 40% year-to-date, and the Flexible Fixed Income Fund declined 14%. This is more than we would have expected, and we are disappointed.

<sup>1</sup> January 1, 2020 to March 31, 2020.

<sup>2</sup> Returns are since inception of the Fund to March 2020. See page 4 for full disclaimer details and Fund inception dates.

<sup>3</sup> Source: CapitalIQ. As of March 31, 2020.

<sup>4</sup> iShares U.S. High Yield Bond Index ETF. Source: Bloomberg. As of March 31, 2020.

<sup>5</sup> iShares Canadian Corporate Bond Index ETF. Source: Bloomberg. As of March 19, 2020.

<sup>6</sup> Source: Bloomberg. As of March 31, 2020.

We want to tell you what happened, what we are doing about it, and where we expect to land going forward. In addition to this letter, we will be holding a conference call on Monday, April 20<sup>th</sup> at noon, where you will have the opportunity to submit questions in advance.

### Investment Overview

We would like to start with a reminder about our investment strategy. We try to determine how much a business would be worth in an auction and look for situations where a stock is selling for less than an informed and rational buyer would pay for the whole company. We have always focused on smaller companies. We do this because history shows that smaller companies generally perform better than large companies. We focus on Canadian companies. We do this because Canada is a small country, often overlooked by investors from global financial centers like New York and London. We also use our network to gain superior insight about these companies.

In fixed income, we have focused on the high yield bond market. It is an asset class that we think is very attractive on a standalone basis and an important ingredient to an overall investment portfolio. One of its strongest attributes is how it has helped investors during periods of volatility. High yield bonds have tended to rebound faster than equities and provide a solid return throughout market cycles.

### Opportunities Fund

Recent conditions have proved particularly challenging for our approach. We own businesses that are normally very stable, businesses like gas stations and document shredding. But when cars are parked and offices are closed, the stability of these businesses starts to wane. We had investments in 27 different companies. All but two of them went down. We own smaller companies, but smaller stocks were down even more than the market. We own Canadian companies, but Canadian stocks were down even more than the market. We own energy stocks, but energy stocks were down even more than the market. We experienced a perfect storm.

### What We Are Doing About It

Coming into the year, we were invested in some fixer-uppers; companies with good bones that needed new management to turn things around. We are rotating out of these investments into better businesses with higher-quality management teams that are currently available at incredible discounts. We thought J2 Global, the owner of dominant websites like IGN and BabyCenter was cheap at \$100 per share; today we can buy it for \$76. We thought Parkland Fuel, the owner of Esso and Pioneer gas stations was cheap at \$47 per share; today we can buy it for \$28. We thought Tricon, the owner of more than 25,000 homes and apartments in growing cities like Atlanta and Phoenix was cheap at \$12 per share; today we can buy it for less than \$8. These are all companies we have studied carefully and that have strong balance sheets. We know their CEOs well; these people have terrific track records. These companies will survive the pending recession and emerge stronger on the other side.

### Flexible Fixed Income Fund

The Fund was down a little less than the high yield market in the first quarter. First, our hedges helped but we began removing them in early March, too early in hindsight. Second, our investments in exchange-traded securities (i.e. preferred shares and convertible bonds) traded more like small cap stocks than bonds. Finally, our 10% weight in energy service companies performed poorly.

Overall, a negative 14% year-to-date result is disappointing. We have trimmed some energy and preferred share investments and redeployed capital into our best ideas. The Fund currently yields 10% with our top eight issuers comprising more than 50% of the portfolio. These top holdings represent bonds in largely higher quality credits that have low-to-mid teen return outlooks.

### Where We Expect to Land

We do not know when, but life will eventually return to better times. And when it does, we fully expect we will see a big rebound in our investments. Three years from now we expect many of these stocks will have doubled and trade at higher prices than they did in 2019 and our bonds will have generated strong returns. Meanwhile we will continue to look for value opportunities in this market.

We know it is extremely difficult to see a significant drop in the value of your holdings. At the same time, we remind you that crystalizing a loss today represents a permanent loss of capital. For those with capacity, we strongly recommend that you consider adding. When we look back on this time, we are convinced that by sticking with a proven approach during a difficult time we will have recouped our losses and grown your savings.

Again, we will be hosting a conference call next Monday, April 20<sup>th</sup> to speak in detail about Q1 and the opportunity moving forward. Details on the call to follow.

Thank you for your confidence.

Yours sincerely,



John Ewing  
Co-Founder and CIO



Darcy Morris  
Co-Founder and CEO

### **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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*\*Returns are since inception of the Funds. Inception date of the Opportunities Fund is September 9, 2011. Opportunities Fund returns reflect Class A – Master Series, net of fees. Inception date of the Dark Horse Fund is April 3, 2009. Dark Horse Fund returns are net of fees and expenses and are for the consolidated series. Inception date of the Canadian Small Cap Fund is May 1, 2015. As of November 1, 2019, returns are those of the Ewing Morris Canadian Small Cap Fund LP. May 1, 2015 to October 31, 2019 returns are based on an initial separately managed account, which shared a similar investment objective and strategy as the Ewing Morris Canadian Small Cap Fund LP. On October 31, 2019, the managed account assets were transferred into the Ewing Morris Canadian Small Cap Fund LP. Returns are gross of all fees, and do not include management fees, performance fees, expenses, and taxes. Returns will be reduced by the management and performance fees, as applicable, and other expenses incurred in the management of this account. Inception date of the Flexible Fixed Income Fund is February 1, 2016. Flexible Fixed Income Fund returns reflect Class P - Master Series, net of fees. Where performance period is longer than 12 months, the return is annualized. We have listed these benchmarks as they are representative of widely known and followed benchmarks in their respective categories. The Ewing Morris Funds have flexible investment mandates and thus these benchmark indices are provided for information only. Comparisons to benchmarks and indices have limitations. The Funds do not invest in all, or necessarily any, of the securities that compose the referenced benchmark indices, and the Fund's portfolio may contain, among other things, options, short positions and other securities, concentrated levels of securities and may employ leverage not found in these indices. As a result, no market indices are directly comparable to the results of the Funds. Past Performance does not guarantee future returns. This letter does not constitute an offer to sell units of any Ewing Morris Fund, collectively, "Ewing Morris Funds". Units of Ewing Morris Funds are only available to investors who meet investor suitability and sophistication requirements. While information prepared in this report is believed to be accurate, Ewing Morris & Co. Investment Partners Ltd. makes no warranty as to the completeness or accuracy nor can it accept responsibility for errors in the report. This report is not intended for public use or distribution. There can be no guarantee that any projection, forecast or opinion will be realized. All information provided is for informational purposes only and should not be construed as personal investment advice. Users of these materials are advised to conduct their own analysis prior to making any investment decision. Source: Capital IQ and Ewing Morris. Returns are as of March 31, 2020.*