JEMEKK
LONG/SHORT FUND L.P.

Q3 2017 Commentary

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Following a weak Q2, the TSX reversed course in Q3 posting a strong quarter. Specifically, the TSX was up by an impressive 3.7% for the quarter resulting in a year to date return of 4.5%. The Jemekk Long/Short Fund did not match the pace of the index in the quarter posting a slightly negative quarter finishing Q3 with a return of -0.96%. The lion's share of the underperformance for the Fund occurred in September. Although we are not pleased with how the quarter ended for the Fund we are still pleased that on a year to date basis the Fund is materially beating its respective benchmarks.

Below is a statistical representation of the Fund to comparative benchmarks in Q3:

	Q3 2017	YTD 2017	SINCE INCEPTION
Jemekk Long/Short Fund L.P.	-0.96%	8.51%	192.52%
S&P/TSX Composite	3.68%	4.45%	163.27%
S&P/TS Small Cap Index	2.36%	-1.85%	60.56%

Benchmarks are quoted in Total Returns

Canadian equity markets continued its see-saw trend in the third quarter swinging from a negative print in Q2 to a much more positive tone for Q3. After a rough first half of the year, Energy led the way in Q3 posting a 5.7% return as the top performing sector for the TSX. Consumer Discretionary and Financials sectors also contributed to the gains for the quarter while Health Care and Consumer Staples (primarily safety sectors) were the primary detractors. The rebound in the Energy sector was the result of a drumbeat of positive data points on crude in September which took the underlying commodity higher lifting most stocks in the group. After being down over 500 basis points in the second quarter, the TSX Small Cap index also rebounded gaining almost half those losses back, led by the higher preponderance of resource names in the index.

Turning to the US, the third quarter went the same way it has been headed all year – higher. The S&P 500 was up 4.5% in Q3 resulting in an impressive year to date return of 14.24%. Technology was the leader in the index and similar to Canada, Energy was a material contributor to performance while Consumer Staples was a laggard. As mentioned in previous letters we are surprised that the US markets continue to march higher at its current pace given the geopolitical backdrop. We are without a doubt witnessing a disparity between the state of the economy and the political landscape. We will save you from our personal views on the Trump Administration but we can identify real concerns that should shake the markets but do not. For example, the use of social media where we witnessed a twitter fight between Trump and members of the North Korean government discussing a potential war. Or reports of Russia using Facebook for its own political agenda essentially weaponizing Facebook. We believe these are real concerns the market should recognize and yet we continue to push all-time highs. And now, focus shifts to the Trump tax reform, a driver of equity markets since election night in November 2016. The market is increasingly pricing in serious reforms, and in short order. We remain more cautions, to our detriment thus far, as we don't share the same level of confidence (Trump Admin has not got anything done) which could cause the market to pause again like it did briefly in the first half of the year when markets last doubted the administration's ability to get execute.

The Fund entered the quarter bullishly at 80% net long and exited at essentially the same levels. However, within the quarter we reduced exposures (net longs and leverage) meaningfully going as low as 60% net long position at one point. Given the geopolitical risks and some new ones that we mentioned above coupled with the S&P 500 not posting a negative month all year with no 5% correction we reduced exposures heading into September (a statistically weak month) by layering on index shorts. This proved to be the wrong call and this "insurance" proved to be expensive as we

saw the TSX up 300 basis points in September alone and the Fund missing most of this rally.

In Canada we believe the underperformance relative to the US markets may be narrowing as favorable data points from the Canadian economy emerge which has led the Canadian dollar to strengthen against the USD in the quarter (+4%). This move has been helped by higher crude prices although is primarily due to favorable interest rate spreads with the US. The Bank of Canada went from being dovish to hawkish in a matter of weeks and began to hike rates unexpectedly. It was the combination of stronger than expected economic data points that showed the best GDP growth rate and employment creation in seven years and home prices ticking higher along with household debt which turned the BoC's stance. So, as it stands now, both Canada and US are on a path of increasing interest rates and coincidentally estimates are for both to be 2% at the end of 2018. The US agenda was largely known (note we had expected three hikes this year and are on that path now) however the hawkish outlook for the BoC caught the markets off guard which led to the aforementioned strength.

Now, following our macro review of the quarter, we would like to introduce you to a new holding for the Fund which follows the recent trend of increasing our technology exposure;

HubSpot (HUBS) – A provider of cloud based marketing and sales software, HubSpot pioneered the technique known as 'inbound marketing' where the traditional path of a sales channel is reversed so instead marketers attempt to pull users to their content rather than push tactics such as advertisements. After establishing itself in the inbound marketing space, HUBS has now expanded its offering into a 'full-stack' digital marketing and sales provider by entering customer relationship management (CRM) and sales automation. We believe these additional offerings round out HUBS' value proposition and sets the stage for its next leg of growth. Similar to e-commerce, we are very bullish on digital marketing and see it as a secular theme.

So, how does it work? One needs to bridge the gap between Awareness and Sales Conversion. In the middle are various platforms to achieve this. Going a level deeper, the goal is Attract, Convert, and Close a prospect ultimately turning a Stranger into a Promoter. Enter HubSpot. The company is involved in every step of this process attempting to seamlessly transition from one category to another. Inbound marketing pulls in prospects by offering helpful content and experience when a customer needs it. The HUBS platform includes but not limited to the following: social media, search engine optimization, blogs, website content management, CRM, and data analytics/reporting.

HUBS targets the small - medium business (SMB) market only. As of now, HUBS has 34k customers although the total addressable market is estimated at 1.2mm customers. Leaving HUBS with plenty of potential upside. However, this space does not come without competition. In the SMB market there are numerous players but none with meaningful scale and the larger players such as Salesforce, Adobe, and IBM are focusing on the larger, enterprise market, largely leaving the SMB market to smaller niche players like HUBS. In addition, we view the competitive environment as increasingly favorable to HUBS since one of its direct competitors, Marketo, recently went private and announced a greater shift away from the SMB market into the enterprise market clearing the path for HUBS to further gain market share.

We are aware this is a high multiple tech stock with valuation baking in a lot of growth. As such we are monitoring the position carefully and staying on top of any industry news that could change the fundamental picture of the stock. We were pleased to hear at its recent user conference the company was confident enough to take its guidance numbers up along with announcing new and improved offerings and a new partnership with long time holding, Shopify, where HubSpot will have native integration with the SHOP dashboard. To us, HUBS has elements of Adobe, Salesforce, and Shopify and we look forward to seeing this tech stock grow but acknowledge execution risk remains high given its valuation metrics.

The strength exhibited in the third quarter has continued into Q4 thus far. As we head into Q4 we are mindful October is statistically a highly volatile month and as such we have increased our focus on remaining nimble and liquid to respond to macro and market risks as they arise. Although the market to date has brushed off many of the concerns mentioned above we remain prepared for either issues to escalate or the market to begin to care. With the VIX still hovering at unprecedented levels, and most likely headed higher, we see correlations lending itself to stock picking, an area where we have demonstrated to add alpha. So as Q4 unfolds and the constant debate of Growth vs. Value stocks or Sector Rotation positioning occur, we continue to search out and evaluate risk/reward opportunities with an increased focus on capital preservation.

Thank you for your continued support.

As always, if you have any questions or concerns please feel free to contact us directly. We look forward to reporting to you at the end of Q4 2017.

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