JEMEKK LONG/SHORT FUND L.P.

Inception date: July 2004
Q2 2018 Commentary

	Q2 2018	YTD 2018	Since Inception
Jemekk Long/Short Fund	2.82%	6.26%	235.27%
S&P TSX Composite	6.77%	1.95%	180.34%
S&P/TSX Small Cap Index	6.58%	-1.66%	65.31%

* Benchmarks quoted in Total Returns

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We are at the halfway mark in the year and 2018 has so far been a year of volatility and contradictions versus 2017 where the markets and economic data moved in tandem. We will discuss how the tailwinds coming into the year are being questioned and potential headwinds now materializing - namely the threat of trade war becoming reality. That said, North American indices fared quite well in the face of these adverse risks. All three major US indices were in the green with the NASDAQ continuing its torrid pace and the Dow Jones lagging due to its heavy weight in more trade related companies. North of the border was a similar tune with both the TSX and TSX Small Cap posting impressive Q2 prints. The Long/Short Fund continued its positive trend from Q1 and posted a 2.82% Q2 lagging its respective benchmarks for the quarter but on a year to date basis still materially outperforming.

The TSX reversed its negative trajectory from Q1 and printed a healthy 6.8% Q2. This strong quarter was primarily driven by Energy, which posted a 16% gain. The only detractor was the Utilities sub-sector and even still only down 40 basis points. It was a similar picture for the TSX Small Cap Index posting a 6.6% quarter, Energy being the chief driver up 18% and the only detractors were the interest rate sensitive sectors - Telecom and Utilities. That said, the TSX Small Cap remains in negative territory for the year. We believe the strength in Q2 for the Small Cap Index was from investors buying stocks with more torque to the move in energy. So why did oil prices surge in Q2? We believe the combination of geopolitics weighing on supply helping to soak up increasing inventories along with a more positive tone for the crude market for the balance of the year. Specifically, on the supply side, an agreement between OPEC and other major producers capping their output while production in Venezuela waned and supply constraints in the US kept oil off the market driving the price higher. On the demand side, demand was strong amid robust global growth for Q2 - we are monitoring the outlook for the balance of the year. At the time of writing, the Bank of Canada hiked the overnight rate by 25 basis points bringing the rate to 1.5%, as expected. We see the BoC following a similar rate path as the US - gradual, warranted moves. We see another two hikes for the balance of the year. As a whole, we believe this is justified. The data points for Canada suggest a positive outlook. For example, monthly GDP for April surprised to the upside (albeit slightly), and employment numbers remain strong. However, one thing we are keeping an eye on is the health of the Canadian consumer. Specifically, the potential of the over indebted consumer no longer being supported by rising home prices potentially causing GDP growth in Canada to be re-evaluated.

In the US, all three major indices were positive despite the burgeoning trade war rhetoric. Renewed threats from the Trump Administration to impose further tariffs on China, which China followed up with its own tariffs, resulted in soft markets in June as the tit-for-tat gameplay shifted from threat to reality. We are of the view that the escalation of trade wars would be detrimental to economic activity in the US. In past commentaries we cited the importance of global synchronized growth being a tailwind for the markets. We are beginning to see signs of this factor not being as strong as expected which has caused some trepidation in markets. Further to this, globalization has played a key role in boosting corporate earnings but protectionist policies such as tariffs would further impede global growth and boost inflationary expectations. So how did the trade wars start? In early 2018 Trump ordered levies of 25% on imports of steel and 10% on aluminum in an attempt to protect local manufacturers and jobs from low priced exports. At first there were several exemptions, so the market determined this was by and large posturing. Fast forward to now and we have witnessed two rounds of tariffs - the first one was 25% tariffs on $34b of imports from China and the second was 10% tariffs on $200b. This has become real and the threat is serious. We will save

from a history lesson in past trade wars but will highlight the outcome - no one wins. The Long/Short Fund has not been immune to this and has seen names such as NFI Group experience a material drawdown however we think the stock is pricing in a far negative effect than what will occur. However, regardless of owning stocks with exposure to trade wars, if this escalates the market as whole will be under attack.

The Fund continues to maintain a bullish net-long position as we continued to see the market shake off negative news and dips were being bought. As we enter Q3, and the trade wars become reality we will be reducing net exposures. As always, we are mindful of how quick sentiment can turn and remain nimble and act accordingly. Although the Fund didn't keep pace with its respective benchmarks, we are still pleased with the performance in Q2 and note the Fund is outperforming its peers on a year to date basis. Main contributors to performance came from Technology (Shopify) and the Energy book (Storm Resources). As for the detractors, the culprits were from Consumer Cyclicals (Air Canada) and the Basic Materials sectors (Detour Gold). We are also pleased to report we are finding new ideas in small cap land and have made initial investments in a few of these names. Once we are at full position weight we look forward to introducing you to these new small cap Canadian companies. Stay tuned!

Following our review of the quarter, we would like to introduce you to a stock exposed to our theme on the importance of Millennials. Last quarter we highlighted Andrew Peller as a holding that is also capturing the Millennial theme as our research shows that this demographic is increasingly consuming more wine than alternative alcohol beverages. Another theme popular among Millennials is food delivery.

GrubHub Inc. (GRUB) – with 3x the market share of its closest competitor, we view GrubHub as the leader in the online delivery/ordering space. When researching GRUB we found delivery skews toward denser populous cities and attracts ages >44 with the growth coming from the 18-24 cohort. This data had all the 'ingredients' as a play on our bullish Millennial theme. Ordering food for delivery or takeout is by no means a new phenomenon. However, what's changed is the type of food consumers desire. Specifically, the traditional pizza or Chinese is still widely

popular but specialty foods such as local only fare or ethnic foods have gained in popularity especially with the Millennials who shy away from mainstream restaurants and opt for selective offerings. Couple this trend with less car ownership among Millens and the need for speed and experience and GRUB appears to be a winner. That said, competition is fierce with the likes of Uber Eats and DoorDash but GRUB has benefited from the 'network effect' and through a number of key acquisitions GRUB has become the largest player in the space and a newly inked contract with Yum! Brands (largest fast food operator in the world with flagship brands such as KFC, Pizza Hut, and Taco Bell) where GRUB will be the exclusive national delivery partner for Yum! Brands and YUM made a $200mm equity investment into GRUB along with gaining a board seat.

GrubHub has a large addressable market with currently low penetration rates. We see strong structural tailwinds for the company as it goes mass market. Surveys suggest increasing adoption rates pointing to a secular growth profile. Ultimately, we see GRUB having the scale to be the winner in online food resulting in a race for second place. However, potential margin compression and a rich multiple do cause concern but as of now we are comfortable owning the stock and feel the risk/reward ratio is favorable.

Year to date, we are pleased with the performance of the Fund given the headwinds in the market. Concerns we had about the market coming into the year, such as trade wars, increased volatility, and the overall actions of the Trump Administration are materializing and yet the markets remain in positive territory. We acknowledge fundamentals for the most part are intact but we are still surprised how well the markets are holding up. We see more volatility entering the market in the short term but focus will shift to fundamentals again as we approach earnings season in the coming weeks which should remain robust (Q2 earnings are expected to clock in at 20% EPS growth). So as the bulls cite their case for a solid economic backdrop and the bears highlight concerns of inflation and a potential recession - we at Jemekk continue to filter through the noise and focus on market fundamentals and continue to position the Fund accordingly.

On an operational note, as per our ongoing efforts to keep all investors informed of changes that impact your Fund(s), we continue to streamline our operations and service providers. Please note that as of the end of Q2 2018, the Fund(s) administrator has changed to SGGG Fund Services Inc. (SGGGFI). The review of our administrators focussed on service quality, cost and reliability. Although all the administrators we met, including the current one(s), scored very well on these metrics, we felt the best fit for our client needs going forward was SGGGFI. You will notice a change in the look and feel of client statements beginning with the next quarterly communication. Any other changes, other than these, will be very minor. If you want to follow up further on this change feel free to reach out to me directly.

Thank you for your continued support and we look forward to reporting to you at the end of the third quarter 2018.

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