JEMEKK LONG/SHORT FUND L.P.

Inception date: July 2004
Q3 2020 Commentary

	Q3 2020	YTD 2020	Since Inception
Jemekk Long/Short Fund	3.49%	-2.07%	221.53%
S&P TSX Composite	4.73%	-3.09%	198.35%
S&P/TSX Small Cap Index	6.64%	-8.59%	45.66%

* Benchmarks quoted in Total Returns

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CEO, Portfolio Manager

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Portfolio Manager

Market trends in the first half of Q3 were favorable for the Jemekk Long/Short Fund given its overweight position in technology, companies than have benefitted from Covid-19, and gold. Not even heightened tensions between the U.S. and China were able to derail the upward momentum in stock indices. However, the second half of Q3 saw dramatic breaks. We saw a US$116/oz drop in the gold price after it had set a new closing high just two trading days earlier, then the equity markets experienced a correction that negatively impacted technology stocks. We believe the corrections in technology stocks and gold are understandable given their exceptional outperformance to-date, but do not believe they represented longer-term trend reversals and hence we remain committed to our positions. The recent visibility on continued strong fiscal stimulus in Canada has added to support for both the economy and its equity markets.

While the global economy had steadily improved during the third quarter with a general re-opening of economic activities, it remains well below pre Covid-19 levels. The strong uptrends in stock indices has shown that you can have a V-shaped market recovery and not an economic one. One of the key factors driving this phenomenon was highly accommodative government fiscal and monetary policies done on a massive scale, which has also provided an underlying catalyst for precious metals. The economic recovery has also been very uneven with a substantial shift in consumer demand from services and into products as people spend less on travel and entertainment and more on hard goods and home improvements.

The Jemekk Long/Short Fund's investment focus remains concentrated in Covid-positive stocks and gold.

We believe the outlook for these themes remain very positive given our thoughts that life will not fully return to normal even with successful vaccines, and the massive stimulus that is ongoing.

We consider companies that manufacture products or materials related to the home and automotive industries as also Covid-19 positive stocks given the consumer demand shift. An important consideration in our positive view of certain product-related stocks is our belief that business re-opening setbacks associated with the second wave of Covid-19 will be more targeted, as opposed to the broad shutdowns in manufacturing facilities that occurred during the first wave. One of the top performers for the Fund in Q3 was Stelco, where strong global demand for passenger vehicles and household appliances have tightened steel supply-demand and we recently saw a substantial recovery in steel prices, first in China, where the recovery started earlier and where manufacturing fully recovered in the third quarter, and more recently in North America. Other top Q3 performance attributions included DocuSign, Seven Aces, and Andlauer.

As per usual, below we highlight a new name for the Fund, Docebo Inc.

Docebo Inc. (DCBO) - A Q4/19 IPO, Docebo is a cloud-based Learning Management System (LMS) software provider with a global footprint. The stock performance was fairly muted since its IPO until May of this year taking the stock from $25 to $60 in three months on the back of strong earnings and being a Work From Home beneficiary. The stock has since come off and we began building a position in the low $40s.

Learning Management System software is applied in administration, documentation, and delivery of educational & training courses. An area where companies are investing in heavily; companies like Bloomberg, Amazon Web Services, and Walmart are some of Docebo's 2000 customers.

Docebo sets itself apart from the competition with its technical advancements in Artificial Intelligence, Mobile, and Social Learning. The AI powered learning platform is superior to traditional LMS and is also highly configurable. Docebo is currently ranked as the highest performing LMS and growing 2x the industry rate.

As the world is adapting to the new normal, Docebo continues to see a strong demand environment as companies look to adopt more use cases for LMS across its entire organization. Docebo has 92% recurring revenues and we are seeing its contract sizes tick higher meaning the company is expanding into the Enterprise market successfully. The company has an achievable road map to growth. Its AI platform is doing well, and the company can now build out its product offering and expand into new industries and grow within a company as well. Risks to the business include heightened competition and currently cash flow negative but with a strong balance sheet and a unique offering we continue to like this story and will be buyers opportunistically.

Elsewhere, a theme we would like to highlight is Precious Metals. The thesis is fairly straightforward as we believe we are early in a secular change, driven by;

- Persistent low to negative rates globally, providing a boost to an under-owned Precious Metals group as a store of wealth.
- Spiraling global deficits and debt at the sovereign level.
- Scarcity of new resources, and lack of material discoveries over the past decade(s).
- A sector that has been transformed from poor capital allocation, over leverage and speculation to under-levered, free cash flow machines, directly correlated with improvement in prices.

These are only a few of the reasons underpinning our thoughts, in fact the one weakness to our thesis is the lack of "new" catalysts to propel the group higher, rather than only a continuation of the above. As such we continue to own names such as B2 Gold, Osisko and Kinross and have begun to move into smaller emerging names recently.

As we enter the fourth quarter of 2020 we remain cautiously optimistic for continued gradual improvement in global economic activity, but are cognizant that many risks remain, including Covid-19, trade issues and the Presidential election. The Fund is positioned 80% net long, but we remain alert to ratchet down exposures if conditions deteriorate.

We thank you for your continued support and hope everyone is keeping safe during these difficult times. We look forward to reporting to you at the end of the fourth quarter.

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