JEMEKK LONG/SHORT FUND L.P.

Inception date: July 2004
Q4 2020 Commentary

	Q4 2020	YTD 2020	Since Inception
Jemekk Long/Short Fund	9.87%	7.59%	253.26%
S&P TSX Composite	8.97%	5.60%	225.11%
S&P/TSX Small Cap Index	23.48%	12.87%	79.85%

* Benchmarks quoted in Total Returns

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Capital markets powered higher in Q4 2020, led by strong gains in cyclical and leisure stocks, as multiple vaccine breakthroughs in Q4 drove investor sentiment and confidences. The exceptional Q4 gains propelled the S&P/TSX up 8.97% in the quarter to catapult the index into positive territory for 2020 with a yearly total return gain of 5.60%. The election of Joe Biden for President seemed to have buoyed most sectors due to the outlook for increased stimulus and, more importantly, the belief that President-elect Biden will govern more towards the center-left as opposed to the more highly progressive agenda from some in the Democratic party. The market continues to be supported by a very accommodative Fed policy with the Fed reserve balance sheet increasing from about 18% of GDP prior to the start of the Covid pandemic to now around 35%. Not to be outdone though, Canada's budget deficit per capita has increased the most amongst G20 countries in 2020. While the gold price consolidated in Q4, with flat performance as investor fears subsided and funds flowed more enthusiastically into re-opening stocks, rapidly rising government deficits continue to loom as an underlying positive for gold watchers.

The Jemekk Long Short Fund's top performers came from a diversified list of sectors that included value & cyclical stocks like Stelco and Air Canada, technology/growth stocks like Docebo and IAC/InterActive, a consumer discretionary stock (Aritzia) and a cannabis name (AYR Strategies). The strong performance from our gainers propelled returns above the S&P/TSX Composite despite the above market weight the Fund has in gold equities, which were down during the quarter.

As evidenced by the broadly diversified gains in Q4 for the Jemekk Long Short Fund, the Fund has been very stock specific in our investment decisions, looking at opportunities across most sectors.

That said, there remains a bias towards investing in stocks where the economic outlook has Covid-19 continuing to have a significant impact on consumer behavior towards higher spending on products and "at home" and less on leisure and services. Investment exposures have recently been increasing within the Canadian small cap technology space as well as the cannabis space (U.S. multi-state operators) given the increasingly positive outlook for expansion of legal use under a Biden administration now with a slim control of the Senate.

The price of gold consolidated in Q4 and we believe the start of another uptrend will be a near-term event. The bullish argument for gold remains intact with continuing high government spending and escalating sovereign debt levels. The outlook for further and substantial increases in spending, that is expected to be largely financed by fiscal deficits, only adds to our constructive view of gold. As well, talk of inflation has gone from "almost nonexistent" back in the fall to now something that has become at least topical. With a meaningful increase in the U.S. 10-year bond yield to over 1.0% for the first time since the Covid pandemic had its spring peak, gold as an inflation hedge becomes an ever more relevant conversation.

Following, we would like to highlight a new position in the Fund;

Chegg Inc. (CHGG) - The leader in online education, Chegg offers everything from online tutoring to textbook rentals. Chegg has always been a consistent performer but COVID-19 definitely turbocharged usage. The stock had an impressive run but when it reported its Q3 earnings in October the stock went from $87 to $73 which is when we began buying the stock. The overall print was strong, but management provided 'conservative guidance' which led to the sell off.

We did not think the decline was warranted given the stellar execution of this company pre-COVID and more importantly we bucket Chegg with a DocuSign (we are still long) as companies who will experience continued growth even post-COVID. In other words, not just a pandemic beneficiary, but a long-term play.

We are fans of companies who disrupt and Chegg is on the forefront of disrupting education, a sector long overdue for change. Chegg's student first platform provides learning resources on a wide range of services such as Chegg Study textbook solutions and homework assistance, Chegg Tutors, and Chegg Writing. The company underwent a dramatic business model shift in 2017 when Chegg went digital foreseeing this secular change. This proved to be a smart move and has made Chegg the number one player in this space. We use the 'Rule of 40' to screen for tech stocks (i.e. Revenue growth + Margins) and Chegg scores a 58 - a rare combination of growth and high profitability.

Chegg continues to execute well and benefits from favorable tailwinds of digital and remote learning. International expansion and cross selling continue to be key drivers for future growth. The subscriber base is increasing and Average Revenue Per User (ARPU) is also ticking higher. This double tailwind strengthens the overall financial profile for the company. Chegg has performed well since we bought it and we acknowledge the valuation gap is closing but overall still constructive on the story.

The conclusion of the U.S. election has removed many elements of uncertainty, which in-and-of-itself is a positive influence for the markets. While President-elect Biden has yet to disclose all his policies, the appearance of a government that will govern closer to center-left is a further positive factor for markets.

Our enthusiasm for 2021 lies in the return towards normalcy, strong earnings growth, economic recovery and sustained low interest rates (accommodative Fed). Although risks, as always, remain high (inflation, pandemic, valuations) we see the pro's outweighing those risks and as such has led to a net-long (89%) which is towards our upper limits historically. We continue to monitor the ever-changing environment and fundamentals and will not hesitate to adjust 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 first quarter.

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