JEMEKK LONG/SHORT FUND L.P.

Inception date: July 2004
Q1 2022 Commentary

	Q1 2022	YTD 2022	Since Inception
Jemekk Long/Short Fund	-3.52%	-3.52%	245.01%
S&P TSX Composite	3.82%	3.82%	322.21%
S&P/TSX Small Cap Index	8.41%	8.41%	134.50%

* Benchmarks quoted in Total Returns

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Calling Q1 a very eventful quarter is an understatement. We came into the year with Omicron still wreaking havoc to inflation not being as 'transitory' as once thought, a firmly hawkish Fed and closing with a full-on hot war which all led to US indices experiencing one of its worst starts to a year – ever. The only thing surprising was how well major indices rebounded at quarter-end where a now distant memory in January with the S&P 500 was down at one point 12% and NASDAQ -17%. On February 24th Russia invaded Ukraine and remarkably indices are higher now than pre-invasion. In March we finally saw the first much talked about rate hike from the Fed which proceeded a hike in Canada as well. As it stands now, the BoC is ready to move in 50 basis point increments similar to the US suggesting how much inflation has run rampant. During the quarter, every financial institution was tripping over themselves to see who can call more rate hikes this year. Estimates are now for the seven hikes communicated in the FOMC's latest summary to be the floor rather than the ceiling. If inflation wasn't enough, talks of a recession have heated up. Volumes of evidence show economic forecasters have a weak track record of predicting recessions, but this does not stop them from continuing to make them. Daily, we are inundated with conflicting views on a looming recession, and it is our job to filter through the noise to stay focused on the economic data available. One thing we know for sure is no one can be certain there is a recession in the next year but we see yellow flags in the market and will position accordingly. Despite the rough start to the year major North American indices finished strong but still negative for the quarter with the exception of the TSX, which was one of the best performing indices globally given its weighting in resources. Never pleased with reporting a negative quarter of performance for the Fund, we have made material changes and are optimistic on the Fund's current positioning. More on that below.

In December we started repositioning the Fund as we could see market sentiment was turning. Although we missed the early move that began in the second half of 2021, from Growth to Value (Resources) we began the transition towards the end of the year with most of the heavy lifting in January. Specifically, we began decreasing our technology exposure (greater than 20% to less than 7% currently) and increasing our commodity exposure (high teens to greater than 50%). This is evidenced by the largest holdings shifting from Shopify (exited completely in January), Boyd Group, and Magnet Forensics to Peabody (described below), Filo Mining, Advantage, and Meg Energy. This marked shift from growth to late cyclical/value is evidenced by the rebound in the Fund in Feb (+1.05%) and March (+3.34%) and thus far in April, as Growth/Tech continues to suffer (Nasdaq flat to down over the period). From a risk standpoint, exposures actually ended the quarter lower from whence we began as the Fund's net long started off at 82% net long and finished lower closer to 70%. We did not expect January to be as violent as it was and in hindsight should have moved quicker paring down our tech book, but significant changes have been made. We are comfortable with our current commodity exposures and, despite the performance they have had, the economic backdrop remains conducive to the sector, valuations are still low, and we feel the group is still under-owned. Our largest contributors in the quarter were all resource-based names from coal, gold, to energy. To highlight a name, here we describe a holding we began adding in January - Peabody Energy.

Peabody Energy (BTU) – BTU is one of the largest producers of both thermal and metallurgical coal in the world. We believe that after many years of secular decline, global thermal coal consumption has now inflected back to growth. Global demand for electricity is outpacing the supply from non-coal sources.

The outlook for LNG capacity growth over the next 5 years is lower than the past 5 years. Renewable energy installations are now facing a slowdown of its growth rate due to constraints on materials and increasing permitting issues. But the recent surge in thermal (and metallurgical) coal prices has also been a consequence of anti-coal biases at the political level that have curtailed new supply. Add in Russian sanctions due to its invasion of Ukraine and suddenly we have benchmark Newcastle thermal coal prices at record high levels and U.S. thermal coal spot prices hitting $100/ton (about triple 2019 levels) for the first time since 2008. We also have a very positive outlook for metallurgical coal prices, where the benchmark Dalrymple Bay Coal Terminal price are at historic highs, as metallurgical coal is facing similar supply constraint pressures, but global steel demand continues to be on the rise.

Additionally, we would like to highlight a new position in the Fund, Colliers:

Colliers International Group Inc. (CIGI) - Headquartered in Toronto, Colliers is a commercial real estate service provider operating in 62 countries. Colliers operates under four business segments: Outsourcing & Advisory (36% Revenues), Capital Markets (33% Revenues), Leasing (25% Revenues), and Investment Management (6% Revenues).

Why we like CIGI:

Strong Management - In our view, CIGI sports a tier one management team with an enviable track record of compounding returns (20% CAGR) that is deeply aligned (23% inside ownership). Capital allocation has been accretive and strategic and should not be painted with the 'roll-up' brush as so many other Canadian companies who are dependent on dilutive equity issues are to buy growth. The culture is performance driven with a management team operating for long term results.

Predictable Business Model - In this volatile environment we like to remove uncertainty where we can. Fifty percent of Colliers' revenues and EBITDA are recurring. And we view the majority of the Company's operating segments structurally sound and benefiting from fund flows into commercial real estate given the current low interest rate environment

Valuation - Colliers trades at a premium to peers given its growth trajectory and stickiness of its business. We feel this is warranted and trading at 5% Free Cash Flow Yield we believe there is potential for further multiple expansion coupled with current growth estimates being too conservative. For example, during the quarter CIGI paid 11x EBITDA (accretive) for Basalt, a European investment manager. This $400mm deal aligns perfectly with past acquisitions and complements the current Investment Management segment well. Shortly after this deal was announced, CIGI reported a strong fourth quarter beating street expectations on revenue and EBITDA by double digits.

Colliers is still in growth mode and has a sterling track record to fall back on. The Company has outlined its 'Enterprise 2025 Strategy' which includes plans to double profitability, with at least 65% of adjusted EBITDA coming from recurring revenue by the end of 2025 through organic and strategic acquisitions to support growth. That said, valuation and execution risk are areas we will be monitoring carefully.

As we enter Q1 reporting season, the near-term growth outlook remains firm. However, forecasters are now anticipating a recession in 2023 (clearly a risk to our thesis above). Engineering a soft landing successfully is a hotly debated topic but the current backdrop remains; a very hawkish Fed, inflation at a four-decade high, a labor market at full employment, a surge in commodity prices, and an ongoing war that will take global growth estimates down. Estimating when a recession will occur is never easy and the yield curve inversion witnessed this quarter is definitely a well followed data point but much like the Fed, we remain data dependent.

We thank you for your continued support and look forward to communicating with you at the end of Q2.

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