JEMEKK TOTAL RETURN FUND L.P.

Inception date: April 2008
Q2 2024 Commentary

	Q2/24	YTD	Since Inception
Jemekk Total Return Fund	1.67%	9.60%	106.27%
S&P TSX Composite	-0.53%	6.05%	167.57%
S&P 500	4.28%	15.29%	470.15%

** Benchmarks quoted in Total Returns*

Gerard Ferguson, CFA
CEO, Portfolio Manager

Rick Ummat, CFA
Portfolio Manager

"After a very strong rally in Q4 2023 from their lows, most global equity markets continued their strong run, driven by economic growth (suggesting strong earnings), a Fed that is signaling a move towards an easing cycle, and inflation nearing the 2% target. Further, a broadening of the equity markets, from the much discussed 'Magnificent 7' group of names to almost every other sector, signals a healthier market from the previous concentrated contributions of a narrow group of names" – was the opening paragraph from our Q1 Commentary. The only thing we would change, as we exit the second quarter, would be to change "Q4" to "Q1 2024" as very little, if anything has changed. Specifically, in Q2, the S&P 500 (+3.9 %) and the tech heavy Nasdaq (+8.3%) posted good, if not great, quarters. Oddly, both the Dow (-1.7%) and the TSX (-0.5%) reported negative quarters, most likely indicative of their heavier Financial Services and Cyclical (resources) weightings. Given this backdrop we were encouraged the Jemekk Total Return Fund posted a positive (+1.7%) quarter after the strong start to the year in Q1. We expect the positive environment to continue in Q3, buoyed by encouraging data on inflation, as the FED gets dragged closer to rate cuts. As such we have maintained exposures (73% net long, down negligibly from 75%) towards the higher end of our historical range yet employ no leverage and remain in liquid situations allowing for an easier pivot as the risks of Q4 (think U.S. election) approach.

All eyes in the quarter were on inflation, economic growth and their impact on the Fed (re: interest rates). First, on inflation, following a puzzling Q1, with surprisingly stronger than expected jobs markets and inflation, economic indicators turned noticeably lower, significantly so as the quarter wore on (relative to expectations).

Second, although weakening, economic growth remained positive as evidenced by jobs, GDP and sentiment indicators, amongst others – suggesting a possibility of a soft landing. We believe the combination of these two factors, should lead the Fed to surmise that the time is now appropriate to become less restrictive as inflation heads towards their 2% target, and focus on the second barrel of their mandate, Full Employment, which shows signs of increasing risk. In fact, early in Q3, Fed Chairman Powell alluded as such for the need to consider both factors equally now, in his testimony before Congress, and suggested any hikes were now off the table, and that rate cuts would come as soon as the Fed gets "further comfort" with recent economic data. Expecting a rate cut in early Q4, the market has now begun to run their models on the groups, names, and themes that benefit historically from a loosening environment. We are no different, however, as evidenced by earlier commentaries, we had anticipated the Fed moving earlier, and most of the Fund's repositioning towards growth, precious metals, and interest rate sensitive names began many months ago.

Specific to the Jemekk Total Return Fund makeup, it remains largely unchanged from Q1. Net, Gross, and Sector exposures remain remarkably close to how we entered 2024, a function more so of our early anticipation of a Fed pivot which was upended by some surprisingly strong, yet now revised lower, Q1 data points. The Fund remains broadly diversified, with no single group representing greater than 25% of invested capital.

Winners came from several groups including Technology (CLS, META, and MSFT), Energy (BLX), Financials (EFN) with the largest sector contributor being Precious Metals (AEM, KGC, GDXJ), a much maligned group, and a theme described in previous commentaries. Losers were also broadly based, and we believe temporary, and as such remain important positions in the Fund (BLDR, BYD).

As per usual, here we discuss one of our larger, long held names, Waste Connections;

Waste Connections Inc. (WCN) - A core holding in the Fund for years, Waste Connections continues to prove itself as a superior operator in waste management. WCN hit all-time highs during the quarter, and we felt compelled to reiterate our bullish thesis and outline why we continue to hold the stock:

- **Sales** - The company has a 10-year sales CAGR of over 15% with organic growth growing mid to high single digits with over 85% of sales recurring in nature. We do not see a change to this growth trajectory and with its current leverage profile below its 10 year average the company can continue its M&A path. Their markets (the North American solid waste industry ~$100b) remains highly fragmented providing ample runway for acquisitions.

- **Differentiated Strategy** - 40% of revenue is under exclusive/franchise agreements with an attractive return and margin profile but most importantly - no competition. The remaining ~60% book of business is within mostly secondary and rural competitive markets with above average returns. This structure lends itself to higher pricing power, revenue visibility, margins, and FCF conversion. Whereas WCN's peers are more exposed to competitive/urban markets limiting upside.

- **Renewable Natural Gas (RNG) Opportunity** - WCN plans to invest $200mm in 12 RNG projects ending next year with management expectations of a $200mm run rate EBITDA by 2026. Our guess is if this investment has attractive ROIC metrics the company will continue to invest beyond the 12 original landfills adding a new growth vector for WCN.

WCN is a serial double digit FCF compounder with better KPIs than its peers. We acknowledge the valuation premium the company commands but feel it is warranted given its track record. The outsized margin expansion occurring this year may not be only a 2024 event with the potential of >34% to be a multi-year phenomenon which is yet to be modeled in street estimates. As such, we expect to hold the name as a core position, well into the future

To be clear, as we continue with the balance of 2024, we take confidence in the fact that most, if not all, of the hawkish actions of the Fed are behind us – something they have clearly signalled. This is what has fueled our increased long exposure (and risk), which has grown in the past nine months from neutral towards the higher end of what we historically run with. We remain cognizant of the risks that remain, specifically the pivot towards an easing cycle and whether the Fed waited too long (i.e. hard landing). Beyond this, the largest hurdle to overcome is – as always – valuation. It cannot be argued markets are cheap, however our job is to identify and invest in areas/names where we can see catalysts, opportunities, and potential for upsized returns. Balancing against this, like the Fed, we are cognizant that markets do not move linearly higher. Risks remain and must be hedged against, be it through index shorts (puts) or individual short names, and monitoring exposures. The Fund remains very liquid, employing no leverage and continues to closely monitor the macro environment for clues of any changes to what is clearly a good backdrop for equities for the time being.

As always, we thank you for your continued support and look forward to communicating with you at the end of Q3. Please feel free to reach out to either of us below with questions/comments.

Gerard Ferguson: 1.416.662.2583
Rick Ummat: 1.416.777.4496

Forward-looking Statements: The information contained in this transcript may include estimates, projections and other "forward looking statements", which are generally expressed in the future tense, or using words such as "expect", "anticipate", "believe" or "may", whether or not they are expressly identified as forward looking statements. Any such statements pertaining to our investment products were based on assumptions that we believed to be reasonable at the time, but which may prove to be incorrect. As a result, any forward looking statements may prove to be incorrect and actual performance may differ materially from that predicted in any forward-looking statements. The opinions expressed herein reflect those of the individual portfolio manager. These opinions are subject to change at any time based on market or other conditions, and Jemekk Capital Management disclaims any responsibility to update such views. These opinions may differ from those of other portfolio managers or of Jemekk Capital Management as a whole. The information and material presented herein are for information purposes only and not to be used or construed as a public offering, an offer to sell or the solicitation of an offer to buy any securities, which may only be made pursuant to a prospectus. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share value and reinvestment of all dividends and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Comparisons to indices and other benchmarks are inherently unreliable indicators of future performance. Jemekk Total Return was previously managed by Jemekk Capital Management Inc. (April 2008-February 2014) and Front Street Investment Management Inc. (February 2014-Oct 16, 2015).