JEMEKK TOTAL RETURN FUND L.P.

Inception date: April 2008
Q1 2025 Commentary

	Q1/25	YTD	Since Inception
Jemekk Total Return Fund	1.68%	1.68%	117.35%
S&P TSX Composite	1.51%	1.51%	211.54%
S&P 500	-4.27%	-4.27%	491.85%

** Benchmarks quoted in Total Returns*

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To describe the market actions to begin 2025 as volatile, would be a massive understatement. Global equity markets have received significant shocks to the system, primarily from our partners to the south, almost every day since inauguration. From audacious statements regarding the 51st state here at home, to those regarding Greenland and manifesting with mass confusion regarding the new Tariff regime to re-orient the world order, market participants have wrestled with how this will impact earning, stock prices, and global growth. The result being weak index returns (-4.3% S&P, -10.3% Nasdaq) in the US, offset somewhat by a surprisingly positive quarter in Canada (+1.5% SPTSX). We will dive into these later in the commentary, but against this backdrop we were pleased to post a positive quarter for the Jemekk Total Return Fund (+1.7%) as broad weakness was offset by positioning (fairly neutral), a significant weighting in precious metals, and relatively good performance from the short book.

Although we typically give a thorough description of the quarter and the macro themes in the commentary, given the events that transpired at the end of the quarter and early into April, we will be brief on this to focus on the pivot currently playing out, and how we are positioned for it.

First to the quarter that just ended. Post the election, markets moved higher on the belief that the Trump administration would be favorable for equities - similar to how de-regulation, lower taxes, and pro-business moved markets higher during the first Trump term. This all changed shortly after Trump took the Presidency in January, coinciding with the S&P 500 peak (+2.8% in January), and the beginning of the first Bear market pullback witnessed in years. The realization of the aggressiveness of the new administration created confusion and mass uncertainty, not a favorable market for equities and/or growth. The creation of DOGE (the elimination of jobs/departments), alienation of allies (Canada/Mexico), and a hard line on Tariffs to highlight a few – led markets significantly lower in Feb (-1.3%) and steamrolled thereafter (March – 5.6%). In fact, the selloff so far has led to the S&P 500 falling as much as 17% as of the second week in April.

Weakness, led originally by growth (think Tech) was quickly aided by cyclicals and then spread broadly as fears of a global recession rose significantly.

In Canada, the Materials sector took center stage during Q1 as the best performing sector (+20%) largely due to gold, up 19% in Q1. Utilities also fared well in Q1 (defensive) whereas Health Care (-9.5%) and Technology (-7.5%) were the worst performing sectors. A recent rarity to see Canada outperform, this was more a function of the US bearing the greatest brunt of the weakness, in fact one of the worst performing markets globally, highlighted by the tech heavy Nasdaq (-10.3%) as investors moved away from the Mag 7, and moved to safety from growth.

The Fund entered the quarter 70% net long, towards the longer end of our historical range, given our positive view of what we believed to be the incoming policies of the new Presidency. As details quickly emerged of the new intentions, the Fund began to reduce exposures, ending the quarter approximately 60% net long, with additional put protection layered in. Specifically, within the Fund, contributions came from a broad range of sectors, but as mentioned above, the Materials group was the biggest provider as long-term favorite holdings Agnico, Alamos, and Kinross all had great quarters, both from macro (precious metal prices) and individual operating metrics. Additionally, Waste Connections, a defensive growth name, also had a great quarter and continues to represent one of our core holdings. From the negative side of the sheet, our US holdings (Goldman and Amazon) were hurt by the increased negativity surrounding the shift in the US. Both remain large holdings, and we see the path to recovery, as the macro plays out as we describe below.

Tariffs, a self-described "beautiful word" by Trump, is the biggest issue moving markets as the quarter ended and deserves the focus of this commentary. For decades Trump has argued the US is being treated unfairly with respect to tariff agreements and trade deficits despite the US becoming, by far, the richest country in the world – and was getting stronger. During the quarter Trump began to roll out his master plan, starting with Canada and Mexico, and floated the idea of reciprocal tariffs. On April 2nd Trump introduced reciprocal tariffs on each country based on a questionable formula to derive the tariff rate. This date was referred to as 'Liberation Day' but felt more like *Obliteration Day*. The excessively high tariff rates threw global markets into turmoil with all major indices around the world selling off (the US more than others) as fear of a global recession heightened in the face of an all-out global trade war. The rate on China (54%) was extreme and, as expected, China immediately followed with their own retaliatory tariffs, and this has escalated further. The two largest economies in the world both tariffing each other excessively is a lose/lose situation. A tariff is a tax on the consumer of the home country which 90% of economists would agree. From our seat, Trump has surrounded himself with individuals who are extremists and do not fully understand the result of their actions – with Peter Navarro at the center of this.

So, is this all an elaborate negotiation tactic with Trump pushing other countries to dial back their existing tariffs (we acknowledge some of the counter rates do seem unfair from a US perspective)? Or is Trump orchestrating a destruction by design plan to bring interest rates down by throwing the US economy into a recession (the odds of a recession are now 50%)? Would the president of the United States purposely cause a stock market crash wiping out trillions of dollars to help fund his agenda? During the second day of the selloff Jerome Powell had a scheduled conference (non-FOMC) related and took some Q&A and was asked about potential Fed reaction to the selloff. During this speech, Trump posted on Truth Social that this would be a 'perfect time' for the Fed to cut. The problem with this is that tariffs are inflationary, and this in itself would cause the Fed to pause or raise, which Powell confirmed.

We have seen several major stock market drawdowns in our careers, but this is the first one that was entirely self-inflicted. This was the sixth fastest market correction since 1920. We are still debating whether the reciprocal tariffs implemented are a negotiating tool and can be pared down and Trump can take that as a win and drive on, or does he believe the US needs to re-shore major manufacturing in which case this will take several years, if not decades, to implement. From a market perspective the issue the equity bears had was the elevated valuation – S&P was trading at the high end of the range (22x) - and the Mag 7 was a crowded trade. Today, as we write, the market has corrected, now at 19x, and the Mag 7 has de-grossed materially. Given the fluidity of the situation, we are unsure how long this selloff (which has entered "Bear" territory) will continue and acknowledge everything can change with a couple of 'X' posts. The market is wrestling whether a 'Trump Put' or 'Fed Put' is alive but remain undecided. We can say with confidence that if these extreme reciprocal tariffs, as outlined, are implemented it will increase inflation and lower growth – not a great backdrop for long equities.

On the positive side, we are seeing a growing list of opportunities emerge, as many stocks have sold off, in excess of the magnitude of pain that tariffs could provide.

Of the two outcomes described above, we will err towards the ongoing discussion to be a negotiating ploy. We have not read Trump's "Art of the Deal", nor Navarro's "Death by China", but clearly the market, and the vast majority of pundits would ascribe that tariffs will slow growth and result in inflationary pressures not welcomed by the current – 1 term – administration. The market has voted, and although Trump's inner circle claims to not "look" at the market, we know this is false. In fact, the day of this writing, the administration has begun to back pedal with a 90 day "pause" (ex-China). Although not a "green" light, the situation has begun to head towards a better resolution. However, there has been damage done, and there are still tariffs (albeit significantly less than threatened) that will slow global growth. The result of this appears to have led global money to look for alternatives, a welcome response from our perspective, as Canada is rich in alternatives and real assets, and perhaps we are beginning to see fund flows to markets other than the US. Currency moves would suggest this.

We try to keep the commentaries short, and full of Fund specific details – names, macro themes, and shifting perspectives, however the tariff tantrum deserved the majority of our focus, as it will be the major determinant of moves for the remainder of 2025. Rest assured, against this backdrop, we are not deer in the headlights. As mentioned, exposures have been reduced, opportunities are being found and acted upon. The Fund has reduced but still maintains a healthy precious metals weight (18%) and ample liquidity and defensiveness. We are not through the current turmoil, but we see a shift in the right direction (tariff pause) and with follow-through will increase our exposures and weights. But for now, as mentioned, stay tuned as the situation is fluid and can shift direction quickly.

As always, we thank you for your continued support and look forward to communicating with you at the end of Q2. Please feel free to reach out to either of us below with questions/comments.

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