JEMEKK LONG/SHORT FUND L.P.

Inception date: July 2004
Q3 2026 Commentary

	Q3/26	YTD	Since Inception
Jemekk Long/Short Fund	-2.21%	13.19%	498.29%
S&P TSX Composite	1.62%	12.97%	674.35%
S&P/TSX Small Cap Index	2.41%	20.84%	343.40%

** Benchmarks quoted in Total Returns*

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Q3 took back much of the risk appetite that carried the first half. Oil climbed from the low $70s to above $100 a barrel, the U.S. 10-year yield rose more than 80 bps to 5.28%, its highest since 2007, and the Federal Reserve under its new Chair Kevin Warsh raised rates for the first time in three years. Earnings were not the problem: S&P 500 EPS growth approached 40% year over year. Valuation was. The S&P 500 forward P/E fell to about 19x, the lowest since 2023, and the momentum and high-beta trades that peaked in late June unwound. The S&P 500 finished the quarter up 2% while U.S. mid- and small-cap stocks fell 6% to 10%. Canada held up better, with the TSX Composite up 1.6% and the Small Cap Index up 2.4% on materials and energy. We are never pleased to report a down quarter, but we are pleased with the Fund's year-to-date performance on a risk-adjusted basis and with its overall exposures.

Beneath the surface, investors rotated out of risk and into value and quality. Free cash flow yield was the top-performing factor in the quarter, while momentum (-9.7%) and beta (-8.1%) were the weakest. The AI complex was not spared. Semiconductor equipment (-28%) was among the weakest industry groups even as software rallied, as rising rates, concerns about the capital intensity of the build-out, and mid-September worries about the pace and safety of frontier-model development hit chip and data-center stocks. We see this as a valuation reset rather than a break in the thesis, but it is a reminder that the market is no longer indifferent to how AI spending is funded. The consumer is also feeling it: mortgage rates have crossed 7%, gasoline tracked toward September records, and daily consumer confidence readings fell to a 16-week low.

The Fed delivered the quarter's defining policy change. At the start of the year, futures priced more than two cuts in 2026. Instead, on September 16 the FOMC voted unanimously to raise the target range 25 bps to 3.75%-4.00%, its first hike since 2023, explicitly to secure "a timelier return to the Committee's 2 percent goal." The updated projections raised 2026 core PCE inflation to 3.4% and lowered the unemployment rate path to 4.1%, and the median dot shows one more hike this year. The committee's message is that this can be done without pain; we are less certain.

August CPI ran at 3.4%, oil is above $100, and every FOMC member now sees growth risks as balanced or tilted to the upside, an unusual position for a Fed in tightening mode.

The market has moved to price at least one more hike in 2026 and close to four by the end of 2027 (too many in our opinion). Longer-term yields have moved even more: the 10-year closed the quarter at 5.28%, tracking Brent almost one for one, and global bond yields hit their highest levels since 2008 in early September. Our Q2 view that the Fed would hold through the year-end was wrong. We now expect it to keep putting inflation ahead of growth, which keeps pressure on long-duration assets and rewards businesses with real free cash flow, pricing power and clean balance sheets.

Canadian markets again told a different story from the U.S. After trailing in Q2, the TSX Small Cap Index (+2.4%) edged the TSX Composite (+1.6%) in Q3 and comfortably beat U.S. small caps, which fell 8% on average. The rotation inside the index was dramatic. Information Technology (+18%) and Materials (+13%) led the Composite, while Communication Services (-10.4%), Real Estate (-8.4%), Utilities (-8.1%) and Staples (-7.5%) lagged; Energy was up a modest 2.4% after leading the first half. In the Small Cap Index, Materials (+7.4%) and Energy (+7.1%) led and Information Technology (-14.4%) lagged. Gold producers were among the best performers in the Composite, with several up 40% or more, after bullion's 16% Q2 drawdown reversed into a 3.4% gain in the quarter. Discovery Mining (DSV) was the second best performer for the TSX in the quarter; a core name for the Fund which we still maintain a bullish view on. On the flip side, MDA was one of the worst performers for the TSX in the quarter, a name we continue to hold and address below.

The Bank of Canada held at 2.25% on September 2, its seventh straight hold, but the tone shifted. Inflation rose to 3.0% in July, Q2 GDP growth came in at 3.3% annualized, and the Bank noted that long-term yields have risen globally. Canadian counter-tariffs took effect September 8, so the next leg of the trade dispute lands in Q4. Hiking rhetoric for the BoC is back on the table however our view is a pause for now especially in the upcoming October meeting.

We ended the quarter with net exposure of 85% (gross long 106%, short -20%), down from 91% at the end of Q2. The reduction came from technology (8% net, from 12%), communications (7%, from 9%) and financials (4%, from 8%), with industrials easing to 16% from 18%. We added to basic materials (28%, from 24%) and energy (15%, from 12%). The short book remains mostly index hedges: ETF shorts were 15% of capital, up from 14%.

Gold equities remain a core overweight of the Fund. Bullion rose roughly 3.4% in the quarter, but producers rose far more, which is the operating leverage we expected once the metal held its higher range. Top contributors for the Fund in the quarter: Discovery Mining, Bird Construction, and Valeura Energy. And the detractors: MDA Space, 5N Plus, and Omai Gold - all of which we maintain a bullish view on.

This quarter we initiated a position in **Elevate Service Group (TSXV: SERV)**, a Canadian roll-up of facilities-maintenance businesses serving national retailers and restaurant chains. Elevate went public in November 2025 and has completed six acquisitions, including the platform purchases of Infinity Group and First Choice and, in May, TFI Food Equipment Solutions, which services fryers, ovens and coffee systems for chains such as McDonald's and Tim Hortons. The market is fragmented, and Elevate is buying owner-operated businesses at roughly 3.5x to 4.0x EBITDA while the combined platform is valued by the market at a multiple of 9x. That gap is the core of the thesis: every dollar of M&A creates about two dollars of equity value.

Two things make us comfortable with the model. First, the balance sheet has room: a $10mm equity raise, which we participated on, leaves pro forma leverage at 1.2x and a $25mm acquisition facility. Second, the business is getting less concentrated and more profitable. The largest customer was about 76% of 2025 revenue and is about 37% pro forma, with management targeting below 28%. Elevate self-performs about 55% of its work, against a target of 75% to 80%, and every point internalized adds margin. There is a healthy acquisition pipeline (ranging in size from $3mm to $30mm) led by a management team with a track record for identifying and transacting on deals along with material operating leverage, which is core to our investment thesis.

The risks are real. Customer concentration remains high, a controlling shareholder holds roughly a third of the stock, and the shares are illiquid. Execution risk rises with each acquisition, and the thesis depends on integrating them while holding margins. We size the position accordingly and will add only as the acquisition pipeline converts to reported results. The stock has run materially as of late and we expect the stock to soften in November when the above mentioned deal stock becomes free trading at which point we will look to add to our current position.

Separately, we want to update our thesis on **MDA Space (TSX: MDA)**, which fell 28% in the quarter after gaining 66% in Q2. We first bought MDA in September 2023 at $10.85 and it remains a core holding for the Fund. MDA had an eventful summer: in June and then in July MDA agreed to two acquisitions totaling roughly C$1.8b. Blue Canyon Technologies, a Colorado based maker of spacecraft buses and satellite components with about 75% defense related revenue, is being bought from RTX for US$620mm and adds $225mm of revenue in 2026. Collecte Localisation Satellites (CLS), the French earth-observation data and analytics firm, is a 70% purchase for C$920mm, with CNES retaining 30% and adding C$465mm of revenue. Collectively, they lift pro forma revenue to about C$2.5b from the C$1.8-1.9b guided for the standalone company. Both deals close between Q4 2026 and early 2027, subject to approvals. Management guides to neutral-to-negative free cash flow for the year and to post-close leverage of 1.5x to 2.5x net debt to EBITDA, from a net cash position today.

The thesis has changed in kind, not only in size. We owned a Canadian prime with leading positions in satellite manufacturing and space robotics. We now own a larger, more diversified space and geointelligence platform with U.S. and European exposure, which should reduce reliance on a few large programs. The price is a more levered, more integration-dependent story at a time when sector supply is heavy and investors are being asked to fund growth rather than harvest cash. We think the pullback is largely a reset of valuation after a 66% run and a C$1.15b share issue, not a break in the thesis, and we have held our core position throughout. BCT traded at about 20x and CLS at about 18.5x EBITDA, though both are below the roughly 22x at which MDA itself traded before the announcements, both are free-cash-flow positive, and both are expected to be accretive. Concentration is the risk we respect most: three customers were 78% of 2025 revenue, and EchoStar cancelled a C$1.8 billion satellite order about five weeks after signing it. With these two new acquisitions, customer concentration risk is materially reduced. What we will watch is closing and integration, free cash flow turning positive in 2027, and margin holding in the 18% to 20% range. We also acknowledge the pipeline is not backlog and clearly the market is focused on backlog growth. So, for this stock to work, MDA needs to convert on its pipeline.

We began the year expecting volatility cushioned by strong earnings growth, and the earnings half of that view has held. The rate half has not: with oil above US$100 a barrel and seemingly no near term resolution in Iran, the Fed has turned to hiking, and a worsening supply shock would require more. Higher yields are already weighing on housing and other rate-sensitive sectors, and AI capital spending, which has carried U.S. growth and earnings, looks set to slow. We are positioned accordingly, with a core overweight in Materials (Golds) that should benefit from inflation and geopolitical stress, and a small-cap book with valuation support.

We thank you for your continued support and look forward to communicating with you at the end of Q4. As always, please feel free to reach out to any of us below.

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