



As at February 28, 2017

Fund Objective

The Fund is a global fundamental long/short fund whose portfolio investments will consist primarily of equity securities of North American and global issuers, but may also include global securities of all types. The investment objective is to provide consistent long-term capital appreciation with attractive risk-adjusted returns throughout market cycles. The Fund aims to provide investors with higher returns, lower volatility and lower correlation to North American and global equity markets than a traditional long only portfolio.

Fund Details

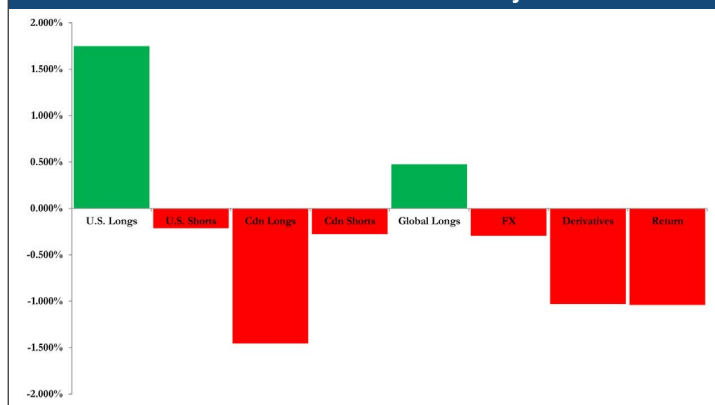
Fund manager	John Stephenson
Launch date	01 October 2014
Liquidity	Monthly
Opening NAV	\$100

Monthly Commentary

Market Developments:

The Fund was down -1.04% (net of expenses) for the month of February, with most of the gains coming from the Fund's U.S. longs while global longs were also a solid contributor to the performance, over the month. The Canadian longs and the hedging of the S&P 500 were the biggest contributors to the negative variance, over the month. The TSX returned 0.18% in February on a total return basis when expressed in Canadian dollars. The Canadian dollar tumbled by -3.43% over February which negatively impacted Fund performance. The TSX fell -3.77% in the last six trading days of the month which was also a contributor to negative Fund variance in February.

Figure 1: Contributors to Fund Performance in February



Source: SGGG FSI, SCCM

The S&P 500 was powered higher in February on the back of a solid U.S. earnings season, with equities posting earnings growth of around 4.5%. Also helping to spur the market higher in February was strong economic indicators; namely the U.S. non-manufacturing ISM which increased to 57.6 and the manufacturing ISM which increased 1.7% to 57.7 while the New Orders index moved sharply higher.

Figure 2: The S&P 500 was Strong while CAD and the TSX were Weak in February



Source: Bloomberg Finance L.P.

At the start of the month Donald Trump moved to roll back the financial regulations brought in after the last financial crisis, directing a review of the Dodd-Frank Act, which was enacted to ensure there would never be another 2008-style meltdown. In addition, Trump issued another directive to halt the implementation of an Obama-era rule that would have required brokers to act in a client's best interest when providing retirement advice, rather than seeking the highest profits for themselves. The financial sector rallied strongly after these two executive orders were announced.

While the S&P 500 turned in a strong performance in February, equities began to stall out in the second half of the month. The post-election pop in institutional investor sentiment has vanished and increasingly it's becoming a show me time for U.S. policymakers to come to present coherent, and fleshed out plans.

There is no doubt that stocks have had a good ride post-Trump, but there are hints that much of the fuel for higher



valuations has been on the cost side rather than on topline growth. Cost reductions from lower corporate taxes and easier environmental and bank regulations have managed to lift the S&P 500 market multiple by one and a half turns since the election. This reliance on cost cutting rather than revenue growth makes the S&P 500 vulnerable to a downturn if there's any political failure to deliver in the months ahead.

During February the S&P 500 benefited by strong gains in the healthcare sector companies with Mead Johnson Nutrition soaring +26.32% while Idexx Laboratories Inc. rallied 18.03%, over the month. The index was dragged down by a tumble of -20.43% in Freeport-McMoran Inc. and a fall of -20.05% for Tripadvisor Inc.

The TSX benefited from a strong bounce in healthcare stocks which were sharply higher in February. The index was led higher by Sierra Wireless Inc., which was up +60.62% in February and Colliers International Group, which was up +37.23%, over the month. The index was negatively impacted by the materials and energy sectors with Asanko Gold Inc. falling -26.65% while Bonavista Energy Corp fell -21.38% in February.

Volatility as measured by the VIX Index continued to drift sideways over the month. The VIX Index closed the month at 12.92 for an increase of +7.76% over the month.

The S&P 500 closed the month at 2363.64 a increase of +3.97% on a total return basis for the month. The S&P 500 returned +5.88% on a total return basis when expressed in Canadian dollars, over the month. Returns across the various GICS sectors were widely divergent with the healthcare sector up +6.2%, followed by the financial sector, which was up +5.0%, while the energy sector was down -2.7% followed by the telecom sector, which was down -0.40%, over the period.

The S&P/TSX was up +0.18% on a total return basis over the month, with wide variances in the performance amongst the GICS sectors. The healthcare sector had the best performance over the month, up +4.8% followed by the industrial sector, which was up +1.6%. The materials sector had the weakest performance, down -3.8% followed by the energy sector, which was down -1.4%, over the month.

Fund Performance:

The Fund was down -1.04% in February as the S&P 500 posted strong performance but the TSX collapsed (-3.77%)

in the last six trading days of the month. Hedging the exposure to a downside moved in the S&P also entailed costs that negatively impacted the Fund during the period. Currency has been volatile and to remove some of that risk the Manager increased the Fund's Canadian dollar exposure throughout the month which was also a modest negative contributor to Fund performance over the month. Short positions on both the U.S. and Canadian markets also were modest contributors to negative variance but should in the long term protect the Fund's assets in a declining market.

The S&P 500 posted most of its gains in the first half of the month (83% by the 15th of February), then moved slightly higher in the third week of the month before moving sideways in the last week of the month. Investors were reluctant to bid up the market in advance of president Trump's first state of the union address which was held in the evening of February 28.

The Fund underperformed the S&P 500, which was up +3.97% in US dollar terms and underperformed with the S&P500 which returned +5.88% when measured in Canadian dollar terms on a total return basis. The Fund also underperformed the S&P/TSX which was up +0.18% on a total return basis. The Sharpe Ratio for the Fund was -2.58, over the month. The fund's Sharpe Ratio was worse than that of the S&P 500 Index which had a monthly Ratio of 9.76.

The top four performers for the Fund during the month was a long position in Amgen Inc. (AMGN—NASDAQ), which contributed a positive variance of +0.40%, a long position in Citigroup Inc. (AMGN—NYSE), which contributed a positive variance of +0.23%, over the period on an unrealized basis. The other top contributors to Fund performance was a long position in Celgene Corporation (CELG—NASDAQ), which contributed a positive variance of +0.21% and a long position in KeyCorp (KEY—NYSE), which contributed a positive variance of +0.20% to the Fund.

The bottom four performers for the Fund include a long position in Teck Resources Ltd. (TECK/B—TSX), which contributed a negative variance of -0.64%, over the month. Additionally a long position in Intel Corporation (INTC—NASDAQ), which contributed a negative variance of -0.11%, over the period, while a long position in Mimecast Limited (MIME—NASDAQ) contributed a negative variance of -0.096%, over the month. A long position in Agnico Eagle Mines Limited (AEM—TSX) contributed a negative variance of -0.078%, over the period.



STEPHENSON & COMPANY
Capital Management

NORTH AMERICAN OPPORTUNITY FUND LP

Outlook:

Stocks have been hitting new highs over the last few months with commodities enjoying their best run in years, fresh evidence that investors are betting on a pickup in the global economy after years of sluggish growth and scant inflation. The S&P GSCI Index, which tracks commodity futures, rose 28% last year in its biggest gain since 2009.

A sustained rally in commodities would likely signal healthy consumer and business demand. It could also be a boon to the many emerging-market countries that rely on commodity exports, such as Russia, South Africa and Malaysia. A Brazil exchange-traded fund doubled in price over the past year, in part boosted by the powerful gains in commodities.

The U.S. consumer price index increased in January by 0.6%, the biggest monthly gain in almost four years. Europe's inflation measure rose to the highest in four years last month. Recent Chinese data also shows expansion in manufacturing and increasing consumer confidence, easing investor concerns that China's growth would continue.

Not all markets are sending bullish signals for growth. Yields on 10-year U.S. Treasury debt recently fell to their lowest level since November, a warning that riskier assets may be overvalued. Gold has also staged a comeback this year, as buyers have sought insurance against economic and political risk.

The economic indicators are looking promising, as is Mr. Trump's ambitious policy agenda, which includes a market-friendly triad of top priorities in rolling back regulations on businesses, overhauling corporate taxes and spending \$1 trillion in infrastructure projects.

But the big if for the markets is if the policies come to pass as they have been described. And with the stock market expecting the best-case scenario for policy implementation many investors are becoming more cautious on the market. With stocks up 5 per cent since President Trump took office six weeks ago and with the president boasting about the markets ascent perhaps the Manager believes it is prudent to be somewhat more cautious.

Elevated valuations for U.S. stocks coupled with the rapid pace of market momentum and complacent investor sentiment suggests that we could be vulnerable to a pullback in the coming months. Ultimately, fundamentals

are what drives markets in the long term and the view of the Manager is that the S&P 500 will move higher by year-end. Nonetheless, with the market priced for perfection a pullback in order of three to five per cent could be in the offing over the next few months. As such, we have been increasing our long put positions on the S&P 500.

The Fund has also began entering into long put positions around the quarterly earnings releases for companies that the Manager believes have declining fundamentals, limited credibility on the Street, weak management teams and a history of earnings disappointments. In the long put strategy, the downside is limited to the premium incurred in purchasing the put, however the upside if the stock falls after the earnings release is exponential—therefore offering investors an asymmetric risk/reward opportunity. Long put positions were particularly successful in February on Twitter and on Texas Roadhouse. The Manager intends to continue this strategy of using long puts to gain short duration market exposures with the potential for asymmetric payoffs in the months ahead.

Given the lower valuations in Europe, the Manager has been increasing the Fund's exposure to European equities. The lower valuations in Europe reflect a worst case scenario for Europe despite the fact that economic growth is improving on the continent. The likelihood of a populist sweep in the upcoming European elections is slight and unlikely to transpire. With the U.S. market priced for the best-case outcome the relative valuation gap between the two geographies makes European equities extremely attractive.

The retail landscape looks extremely challenging with mall traffic down significantly in the most recent holiday season. As well, the prospect of a border adjustment tax (BAT), which is a key part of the Republican tax reform agenda, could pose a very significant challenge to retailers as they typically import a large percentage of their cost of goods sold. As such, the Manager has increased the short side of the Fund by shorting retailers that are vulnerable to a border tax adjustment and who have declining fundamentals. As well, the restaurant sector is vulnerable to a correction and the Fund holds short positions in restaurant stocks that trade at elevated multiples that cannot be supported by the fundamentals.



Performance Statistics*	
1 month	-1.04%
3 months	-1.80%
3 Years	N/A
5 Years	N/A
Annualized volatility	13.6%
Sharpe Ratio (since inception)	(1.72)
Sharpe Ratio S&P 500 (since inception)	(0.06)

GICS Sectors ¹	
Sector	Weight
Energy	8.4%
Materials	0.3%
Industrials	0.0%
Consumer Discretionary	18.4%
Consumer Staples	0.1%
Health Care	8.2%
Financials	38.9%
Information Technology	15.0%
Real Estate	4.1%
Telecommunication Services	0.0%
Utilities	1.7%
Other (ETFs & derivatives)	9.0%

¹ Absolute Value of Gross Exposure by GICS Sector.

*The performance data is based on the reporting share class of the Fund (shown in blue in the NAV table) and may be calculated using a different management fee to that shown in the Fund details. Share classes may be closed to new subscriptions. Annual returns presented are based on an investor being invested from the beginning of the fiscal year of the Fund. Returns will vary for investors who invested at other times. Past performance is not a reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.

Please refer to important information at the end of the document.

Geographic Distribution			
A. Region	Weight*	B. Currency	Weight*
Canada	23.4%	CAD	44.4%
US	60.2%	USD	46.1%
Europe (ex-UK)	10.3%	CHF	0.0%
UK	6.2%	GBP	5.7%
Japan	0.0%	EUR	3.7%
Other	0.0%	JPY	0.0%

*By country of domicile.

Monthly Risk Metrics	
	Metric
Net market exposure (longs-shorts)	58.86%
Beta of the Fund	0.51
Volatility of the Fund (Annualized)	5.8%
Volatility of the S&P 500 (Annualized)	4.6%
Maximum Monthly Drawdown (Intra Month)	2.11%
Sharpe Ratio (Monthly)	(2.58)
Sharpe Ratio S&P 500 (Monthly)	9.76



NAVs - LP - Unrestricted Classes ²

Class	CCY	NAV
A	CAD	55.1706
F	CAD	52.3055
I	CAD	NA
S	CAD	56.6525

NAVs - TRUST - Unrestricted Classes ²

Class	CCY	NAV
A	CAD	5.3705
F	CAD	5.1003
I	CAD	NA
S	CAD	NA

² The share class in blue in the table above is the reporting share class for the Fund and may be closed to new subscriptions. Performance of other share classes shown may vary.

Important Notes

Source: Stephenson & Company Capital Management and Bloomberg

There are inherent limitations in any comparison between a managed portfolio and a passive index. Indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with a private fund. There are risks inherent in hedge fund investing programs.

Note to Investment Professionals: The information in the Monthly Report is being provided to current investors in the Fund and is being provided to their registered dealers for informational purposes only.

This is not sales literature and cannot be used as such.

The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. Units of the Fund are not “deposits” within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under provisions of that Act or any other legislation.

No securities regulatory authority has expressed an opinion about this Fund and it is an offence to claim otherwise. This Fund has not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption

from the registration requirements of those laws.

Indicated rates of return are the historical annual compounded total returns, including changes in unit value and do not take into account sales, redemption, distribution or optional charges or income taxes payable by an investor that would have reduced returns. Performance is calculated net of all fees.

This document may contain forward looking statements which are based on expectations, estimates, and projections at the time the statements are made that involve a number of risks and uncertainties which could cause actual results or events to differ materially from those presently anticipated. Other events which were not taken into account may occur and may significantly affect the returns or performance of the Fund. Neither Stephenson & Company Capital Management nor the Fund undertakes any obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law.

The information provided herein is for informational purposes only and does not constitute a solicitation, public offering, advice or recommendation to buy or sell interests in the Fund, or any other Stephenson & Company Capital Management product. Please refer to the Fund’s offering memorandum for more information on the Fund as any information in the report is qualified in its entirety by the disclosure therein.