Stephenson & Company
Capital Management

North American Opportunity Fund LP

As at July 31, 2016

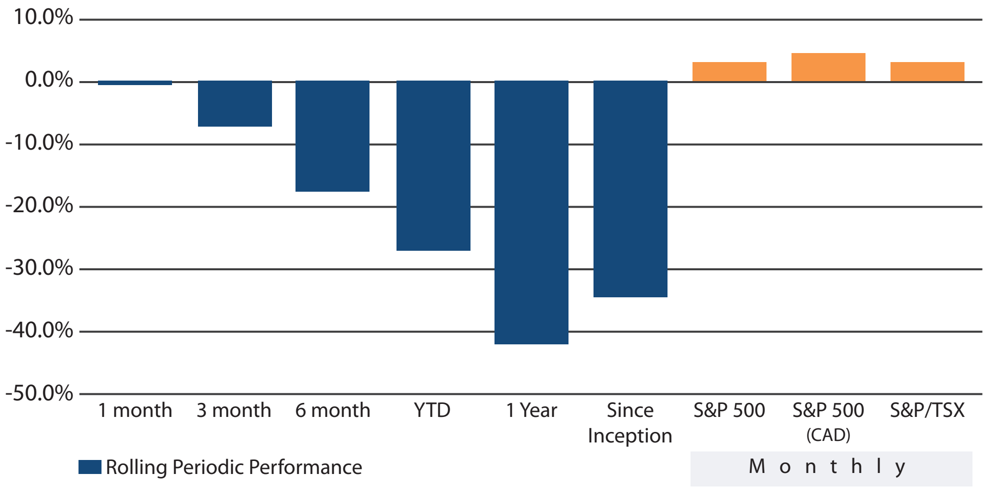
Fund Objective

The investment objective of the Fund is to provide consistent long-term capital appreciation with attractive risk-adjusted rates of return through market cycles, with a focus on risk management and capital preservation. The Fund aims to provide investors with higher returns, lower volatility and lower correlations to North American and global equity markets than a traditional long only portfolio. The Fund's portfolio investments will consist primarily of equity securities of North American and global issuers, but may also include global securities of all types.

Fund Details

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

Net Fund Performance



Performance Statistics*

1 month	**-0.15%**
3 months	**-7.28%**
Year to Date	**-27.78%**
Last calendar year	**-13.00%**
2 Years	**N/A**
3 Years	**N/A**
5 Years	**N/A**
Annualized volatility	**15.0%**
Sharpe Ratio (since inception)	**(1.40)**
Sharpe Ratio S&P 500 (since inception)	**0.04**

GICS Sectors[1]

Sector	Weight
Energy	**7.4%**
Materials	**3.2%**
Industrials	**0.7%**
Consumer Discretionary	**18.9%**
Consumer Staples	**7.9%**
Health Care	**10.3%**
Financials[2]	**22.3%**
Information Technology	**0.0%**
Telecommunication Services	**0.0%**
Utilities	**13.2%**
Other ETFs	**16.0%**

[1] Absolute Value of Gross Exposure by GICS Sector.
[2] Financials include REITs at 10.3%

*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.

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NORTH AMERICAN OPPORTUNITY FUND LP

Geographic Distribution

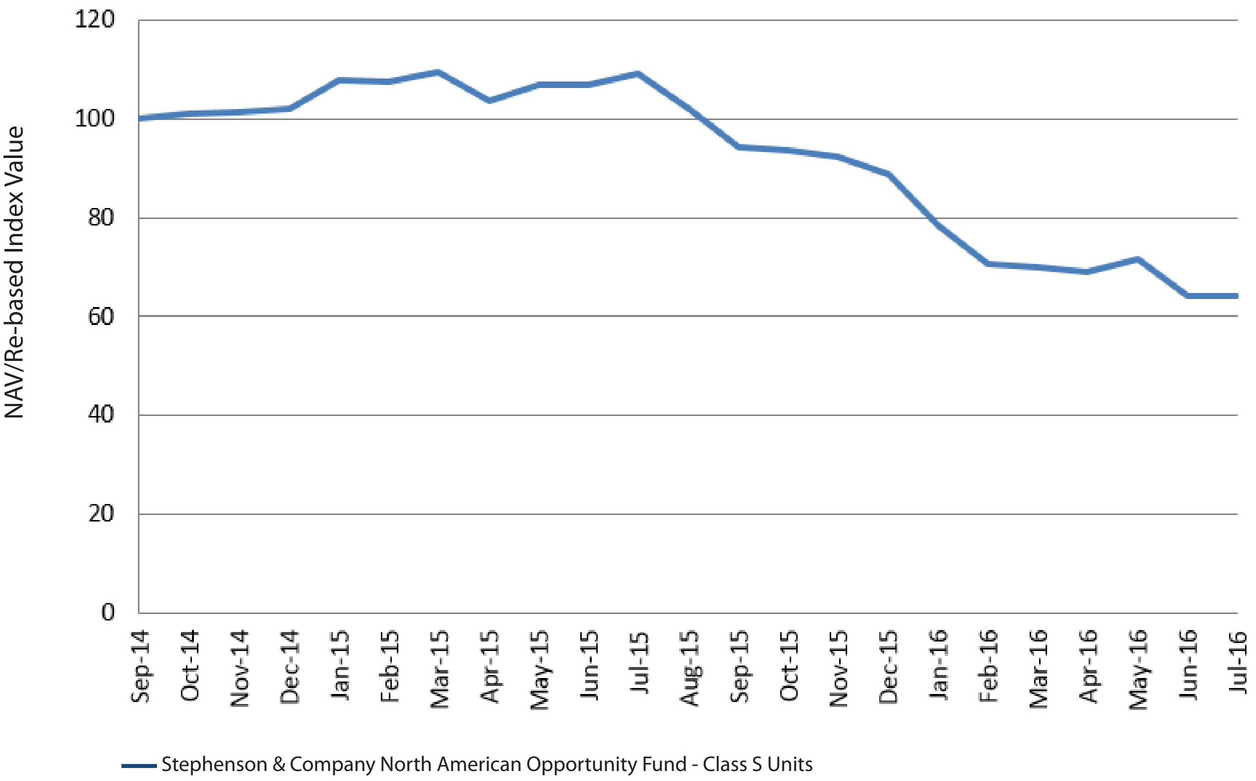
A. Region	Weight*	B. Currency	Weight*
Canada	**28.6%**	CAD	**37.1%**
US	**53.4%**	USD	**48.6%**
Europe (ex-UK)	**8.0%**	CHF	**0.2%**
UK	**2.6%**	GBP	**2.6%**
Japan	**7.4%**	EUR	**1.7%**
Other	**0.0%**	JPY	**9.7%**

*By country of domicile.

Monthly Risk Metrics

	Metric
Net market exposure (longs-shorts)	**84.39%**
Beta of the Fund	**0.16**
Volatility of the Fund (Annualized)	**7.1%**
Volatility of the S&P 500 (Annualized)	**7.6%**
Maximum Monthly Drawdown (Intra Month)	**1.75%**
Sharpe Ratio (Monthly)	**(0.46)**
Sharpe Ratio S&P 500 (Monthly)	**5.6**

Net Track Record



Monthly Commentary

Market Developments:

The Fund was down -0.15% (net of expenses) for the month of July, with U.S. long positions up +0.70% and non-North American long positions down -0.44%, while Canadian dollar long positions were up +0.73%. U.S. short positions were up +0.07% while Canadian dollar short positions were down -0.23% and convertible bonds were up +0.38%. Option strategies contributed a negative variance of -1.09% in July. The foreign exchange exposure of the Fund contributed a positive variance of +0.25% to performance, over the period.

The story for much of this year has been the outperformance of bonds over equities. The Fund while primarily a global equity fund has avoided fixed income given that we are now in our 34th year of a bond bull market and the view of the Manager is that at some point interest rates will go higher.

Despite record low rates income-starved investors have helped propel a strong bull market in bonds, with conservative investments such as the U.S. 10-year Treasury jumping almost 7 percent in price so far this year and the 30-year bond surging 17 percent. In total the U.S. government debt has delivered a massive $660 billion windfall to investors so far this year.

Outside of the U.S. yields have sunk even lower with some $10 trillion of negative-yield debt, including the ten-year notes of Japan, Germany and Switzerland. Many investors have been lured by higher yields in emerging market bonds and in junk bonds. According to Trim Tabs Investment Research, a firm in Sausalito California, investors have poured $1.2 billion into exchanged-traded funds focused on bonds from emerging market countries since June 30. So far in July, investors have also pumped another $2.8 billion into high-yield ETFs that are comprised of junk bonds issued by below-investment-grade companies.

One out of every 14 dollars invested in those two fund categories has arrived in the first three weeks of July.

The reason for the rush into riskier bonds seems to be the desperate search for yield. According to Morningstar, the average emerging-markets bond ETF yields 3.8% while the average high-yield ETF yields 5.5%. Contrast this with the ultra-safe 10-year U.S. Treasury where investors will earn less than 1.6%.

Researchers Yueran Ma and Carmen Wang of Harvard University along with Chian Lian of the Massachusetts Institute of Technology have found that investors aren't tantalized by risky alternatives until rates fall below three per cent. The lower yields go the more risk that investors are willing to take.

These ultra-low yields are sending a very gloomy message about the future as today's high bond prices and pathetic yields suggest low returns in the years ahead. Investors who purchase these bonds seem to be saying that they aren't concerned about the possible risk of high inflation eroding the value of their money. Instead investors seem to feel that we are in a low-growth world where there will be paltry wage growth and weak consumer spending for the foreseeable future.

The reasons for the gloomy outlook range the gambit from an economic slowdown in China, Brexit and the European Union's uncertain future as well as weak oil prices and the teetering banks in Italy. Yet in spite of the pessimism the unemployment rate in the U.S. is down to levels not seen since 2007.

Global equity markets seem to be anchored in a very defensive tilt so far this year with the S&P 500 being led this year by the utility sector. The prospect of slowing global growth has helped boost the share prices of dividend-paying corporations despite valuations levels that are in nosebleed territory. While cyclical companies offer far better valuations global growth worries have caused them to underperform over the past 14 months with more than half of the S&P 500's companies falling by more than 20 per cent between May, 2015 and the end of July.

The defensiveness amongst market participants is somewhat understandable given that the past fourteen months saw the benchmark index, the S&P 500, go 14 months without hitting a record and twice slumped more than 10 per cent—including in January, the worst start to a year ever.

Volatility as measured by the VIX index drifted lower over the month, peaking at an intra-month high of 15.58 on July 5. The VIX closed at 11.87 on July 29, a decrease of 24.06% on the month.

The S&P 500 closed the month at 2173.60, an increase of +3.69% on a total return basis for the month. The S&P 500 returned +4.41% on a total return basis when expressed in Canadian dollars over the month. Returns across the various GICS sectors were all over the map in July with the information technology sector up 7.8%, followed by the materials sector, which was up 5.0%, while the energy sector had the weakest performance, down -2.0% followed by the consumer staples sector, which was down -0.9%, over the period.

The S&P/TSX was up 3.85% on a total return basis over the month, with generally strong performance from most GICS sectors. The information technology sector had the best performance over the month, up 9.2% followed by the industrials sector, which was up 7.6%. The energy sector had the weakest performance, down -0.5% followed by the utilities sector, which was up +2.8%, over the month.

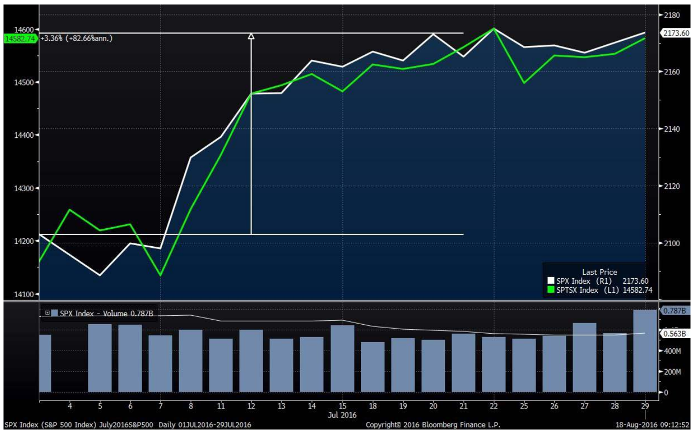
Fund Performance:

The Fund was down -0.15% reflecting some put option positions designed to hedge against a market correction and exposure to more volatile global equities.

Overwhelmingly investors are of the view that the Fed is on the sidelines for the foreseeable future and that they will leave benchmark short-term interest rates at historic lows. A thirty-four year bull market in bonds has only helped to reinforce the view that rates will never go up. This combined with policymakers inability to address structural problems in the economy with anything more than token actions has focused investors' attention on macro indicators of the overall health of the market. As a result, these macro events have had a disproportionate impact on global equity markets.

In July, the vast majority of the stock market gains occurred in the first half of the month. As the month wore on the market once again began worrying about the sustainability of the post-Brexit snapback in the face of still sluggish global growth.

Figure 1: The S&P 500 and TSX Moved Higher in the First Half of July then Sideways



Source: Bloomberg Finance LP

The Fund underperformed the S&P 500, which was up 3.69% in US dollar terms and underperformed the S&P500 which returned 4.41% when measured in Canadian dollar terms on a total return basis. The Fund also underperformed the S&P/TSX which was up 3.85% on a total return basis. The Sharpe Ratio for the Fund was -0.46, over the month. The fund's Sharpe Ratio was worse than that of the S&P 500 Index which had a monthly Ratio of 5.6.

The top four performers for the Fund during the month was a long position in KOSE Corporation (4922—Tokyo), which contributed a positive variance of +0.32%, a long position in Milestone Apartments REIT (MST-U—TSX), which contributed a positive variance of +0.31%, over the period on an unrealized basis. The other top contributors to Fund performance was a long position in Toray Industries Inc. (3402—Tokyo), which contributed a positive variance of +0.28% and a long position in Northland Power Inc. (NPI—TSX) which contributed a positive variance of +0.23% to the Fund.

The bottom four performers for the Fund include a long position in ONO Pharmaceutical Co. Ltd. (4528—Tokyo), which contributed a negative variance of -0.62%, over the month. Additionally a long position in Lloyds Banking Group PLC (LLOY—LSE), which contributed a negative variance of -0.45%, over the period, while a long position in Gilead Sciences, Inc. (GILD—NASDAQ), contributed a negative variance of -0.18%, over the month. A long position in Deutsche Bank AG ADR (DB—NYSE) contributed a negative variance of -0.17%, over the period.

Outlook:

Investors, central bankers and policymakers went into the 2008/2009 global financial crisis with a very cyclical mindset. As such, we have approached the recovery in a very traditional manner relying on monetary policy rather than fiscal policy to what ails the global economy. Almost nine years after the great recession the failure of cyclical measures to create lasting growth in economies plagued with structural deficits has been laid bare. Structural reforms are needed to address the tax system, the labor market and infrastructure deficits in the major world economies.

The inability to deal effectively with these structural issues and an over-reliance on central banks has created a situation of low growth, rising inequality, political dysfunction, and in some cases, social tensions—all despite massive and unprecedented policy interventions on the part of global central banks and transformational technological innovations.

As long as more and more central banks with a printing press in the basement continue to interfere with markets, investors will have two distinct outcomes from which to choose from. The first is the current consensus view of the market—namely that central banks will continue to remain effective in dealing with the economy and in stimulating the equity market. The second alternative is to take a more contrarian approach, one in which central banks will no longer be effective in influencing outcomes. In this contrarian approach a high degree of tactical excellence in investing will be necessary. This process is dramatically complicated by the fact that the very interventions in the market conducted by central banks has distorted historic correlations between assets and made the marketplace much more volatile by their actions.

The Japanese equities market is one where despite extraordinary central bank activity the market no longer believes that the Bank of Japan (BoJ) is effective in stimulating the market. This can be witnessed most easily by examining the reaction in the currency market. Despite negative real interest rates and massive quantitative easing the yen has rallied against the U.S. dollar and taken the Nikkei down. The Bank of Japan's recent actions were meant to weaken the yen and stimulate markets but because investors view the BoJ's actions as beyond the limits of central bank activity they have reached an inflection point where their actions no longer have the desired impact on markets and the discussion in Japan has swung back toward the importance of fiscal intervention to create economic growth and lift markets.

Figure 2: The Bank of Japan is No Longer Effective in Impacting Markets

Source: Bloomberg Finance LP

It is an open question right now for markets whether or not central banks can remain effective in buoying markets. Clearly, the Bank of Japan is no longer effective and with extraordinary central bank activity ongoing in Europe, Great Britain and America many are wondering if the limits of central bank intervention have been reached.

Of all the central banks in the world, the most important for markets is the U.S. Federal Reserve and while their policies have also been hugely interventionist, distorting capital markets along the way, they are closer to a policy inflection point than other central banks. While the Manager still believes that the Fed will remain accommodative the fact that they are at least debating further tightening rather than monetary easing suggests that they will remain effective for the foreseeable future. The Yellen Fed has so far proved exceptionally dovish and this is likely to remain the case for some time.

Given that there will likely be some signaling from the various Fed members prior to a rate increase the Manager has implemented a barbell strategy with the majority of the Fund's assets in yield securities and with a more modest portion (approximately 30 per cent) in deep value cyclicals to hedge against a reversal in the Fed's current policy trajectory. With the yield focus the Fund is now yielding approximately 4% which should help insulate the Fund from further downdrafts in the global market.

NAVs - LP - Unrestricted Classes [2]

Class	CCY	NAV
A	CAD	62.7932
F	CAD	59.1757
I	CAD	NA
S	CAD	64.0940

NAVs - TRUST - Unrestricted Classes [2]

Class	CCY	NAV
A	CAD	6.1150
F	CAD	5.8132
I	CAD	NA
S	CAD	NA

Historical Performance (in percentage terms) [3]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD [4]
2014										1.03	0.36	0.61	2.01
2015	5.83	-0.26	1.78	-5.42	3.23	-0.05	2.03	-6.50	-7.47	-0.70	-1.52	-3.86	-13.0
2016	-11.75	-9.91	-0.80	-1.24	3.40	-10.19	-.15						-27.78

[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.

[3] Source: SGGG Fund Services Inc. Past performance is not a reliable indicator of future results.

[4] When 12 months of performance data is unavailable for a calendar year, partial year to date is shown.

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.

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