

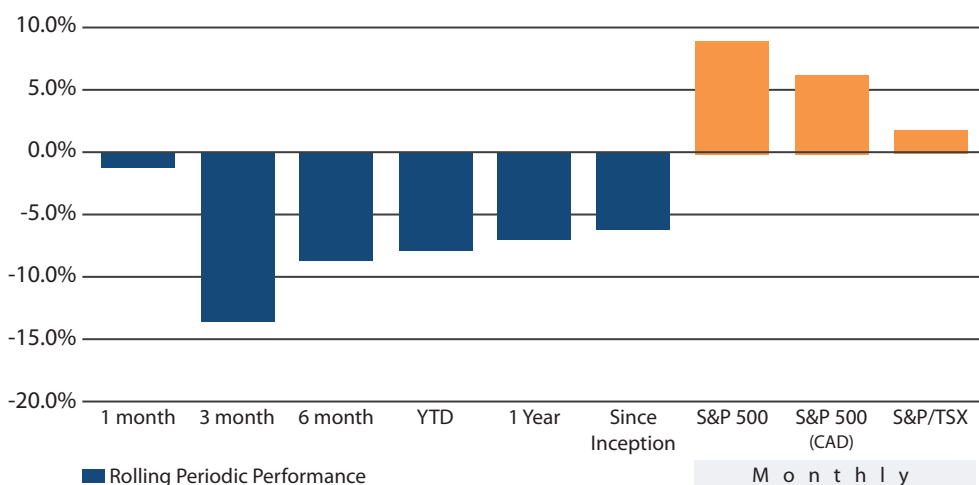


As at October 31, 2015

## 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 issuers, but may also include global securities of all types.

## Net Fund Performance



## Fund Details

Fund manager **John Stephenson**

Launch date **01 October 2014**

Liquidity **Monthly**

Opening NAV **\$100**

## Performance Statistics\*

1 month	<b>-0.70%</b>
3 months	<b>-14.09%</b>
6 months	<b>-9.56%</b>
Year to Date	<b>-8.10%</b>
Last calendar year	<b>2.01%</b>
1 Year	<b>-7.21%</b>
2 Years	<b>N/A</b>
3 Years	<b>N/A</b>
5 Years	<b>N/A</b>
Since Launch Date	<b>-6.25%</b>
Annualized volatility	<b>13.0%</b>
Sharpe Ratio (since inception)	<b>(0.60)</b>
Sharpe Ratio S&P 500 (since inception)	<b>0.34</b>

## GICS Sectors<sup>1</sup>

Sector	Weight
Energy	<b>3.1%</b>
Materials	<b>5.5%</b>
Industrials	<b>3.4%</b>
Consumer Discretionary	<b>18.1%</b>
Consumer Staples	<b>3.4%</b>
Health Care	<b>16.4%</b>
Financials <sup>2</sup>	<b>40.3%</b>
Information Technology	<b>4.2%</b>
Telecommunication Services	<b>0.0%</b>
Utilities	<b>2.8%</b>
Other ETFs	<b>2.7%</b>

<sup>1</sup> Absolute Value of Gross Exposure by GICS Sector.

<sup>2</sup> Financials include REITs at 7.6%

\*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.



STEPHENSON & COMPANY  
Capital Management

# NORTH AMERICAN OPPORTUNITY FUND LP

## Geographic Distribution

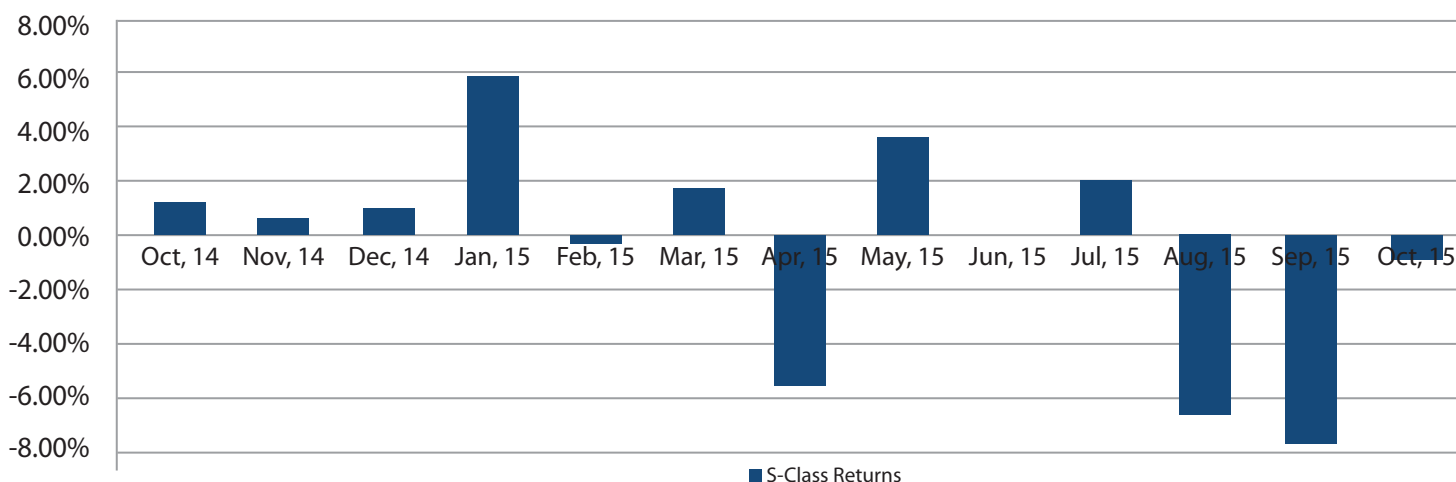
A. Region	Weight*	B. Currency	Weight*
Canada	19.3%	CAD	40.10%
US	66.2%	USD	49.60%
Europe (ex-UK)	3.8%	CHF	0.70%
UK	2.1%	GBP	1.80%
Japan	7.6%	EUR	2.30%
Other	0.9%	JPY	5.60%

\*By country of domicile.

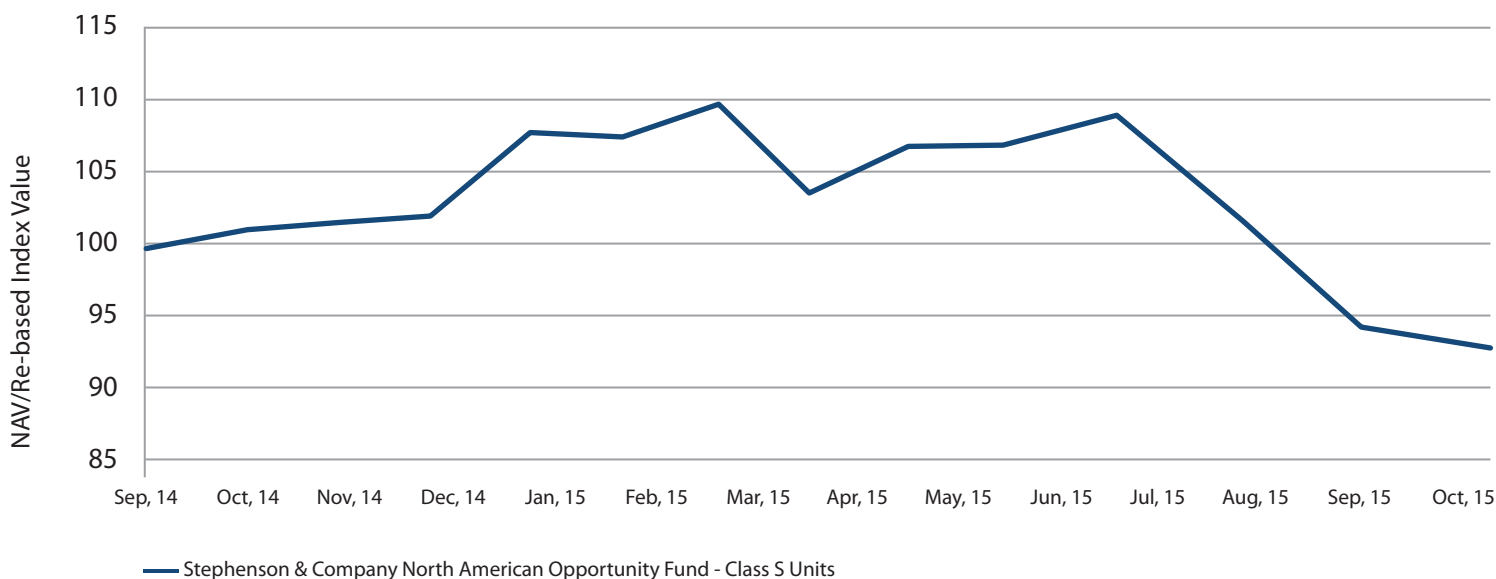
## Monthly Risk Metrics

	Metric
Net market exposure (longs-shorts)	52.83%
Beta of the Fund	0.91
Volatility of the Fund (Annualized)	6.5%
Volatility of the S&P 500 (Annualized)	12.6%
Maximum Monthly Drawdown (Intra Month)	2.14%
Sharpe Ratio (Monthly)	(1.61)
Sharpe Ratio S&P 500 (Monthly)	7.87

## Batting Average: 53.8% Percentage of up months since inception



## Net Track Record





STEPHENSON & COMPANY  
Capital Management

## NORTH AMERICAN OPPORTUNITY FUND LP

### Monthly Commentary

#### Market Developments:

The Fund was down -0.70% (net of expenses) for the month of October, with US long positions up 0.97% and non-North American long positions up 0.13% while Canadian dollar long positions were down -0.93%. US option writing was up 0.19% while Canadian option writing was up 0.02%. US short positions were down -0.53%, while Canadian dollar short positions were down -0.54% and the foreign exchange exposure of the Fund contributed a positive variance of 0.13% to performance, over the period.

Markets finished up for the month of October as European markets put in their best monthly performance in six years and the S&P 500 had its best month since October 2011. Investors attributed the broad stock-market gains this past month to global central banks, which either talked up the prospect of further stimulus to boost sagging inflation and growth, or delayed interest-rate increases that would tighten monetary policy.

After a summer that was pretty scary for many investors with U.S. stocks plunging 12.4% in August before staging a modest recovery, some big money investors started to see fresh value and wade into beaten-up energy stocks and financials, as well as dividend-paying blue chips. Also benefitting risk markets was the perception that things had stabilized somewhat in China. Yet there remained worrisome signs that earlier global growth concerns weren't entirely misplaced with the release in October of data on Chinese imports and inflation, which when coupled with a weak report on U.S. retail sales kept global growth concerns alive and well.

Also powering stocks higher in October was oil. Crude prices rose in October, buoyed by lower drilling activity in the U.S., drawdowns on gasoline and diesel, and by more speculation about Russia and major oil exporters meeting about supply cuts. That's been good news for energy companies broadly who benefit from rising commodity prices and improving investor sentiment.

While the gains in the month were across all sectors, the largest gains came from the badly beaten up energy and materials sectors. The first half of the year was dominated by growth style investing with health care stocks leading the market higher in both Canada and the U.S. while commodity stocks were for sale.

Health Care companies had rallied sharply amid a merger and acquisition boom and optimism about new therapies, making it the top-performing sector in the S&P 500 during the first half of the year. But a bout of profit taking and the specter of a political backlash over high priced drugs have brought a reversal. Over the past three months, health care is the worst performer, though still up for the year. Energy and materials underperformed the market from June 2014 to June 2015, but led the market in October.

Yet despite the strong performance investors remain jittery with former street darlings taking it on the chin in a sell first and ask questions later mentality that has become pervasive. Valeant

Pharmaceuticals International Inc. is case in point. The company is under mounting pressure to prove that its engines of growth haven't stalled after a deluge of bad news that includes U.S. criminal and civil probes, class-action lawsuits, congressional ire over its tax and drug pricing policies, and swarming short sellers.

Valeant likely contributed to the most recent bout of health care selling on fears that other pharmaceutical companies were using similar arrangements, even though most large pharmaceutical companies have put out statements to the contrary. Certainly, Valeant's performance explains much of the poor performance of the S&P/TSX health care sector performance in October (-45.7%).

Volatility as measured by the VIX index fell throughout the month, peaking at a high of 22.55 on October 1st. The VIX closed on October 30, at 15.07, a decrease of 33.17 per cent on the month.

The S&P 500 closed the month at 2079.36, an increase of 8.44% on a total return basis for the month. The S&P 500 returned 5.83% on a total return basis when expressed in Canadian dollars over the month. All ten GICS sectors were positive for October with the materials sector up 13.4%, followed by the energy sector, which was up 11.3%, while the utility sector had the smallest contribution to positive variance, up 1.1% followed by the consumer staples sector, which was up 5.6% over the period.

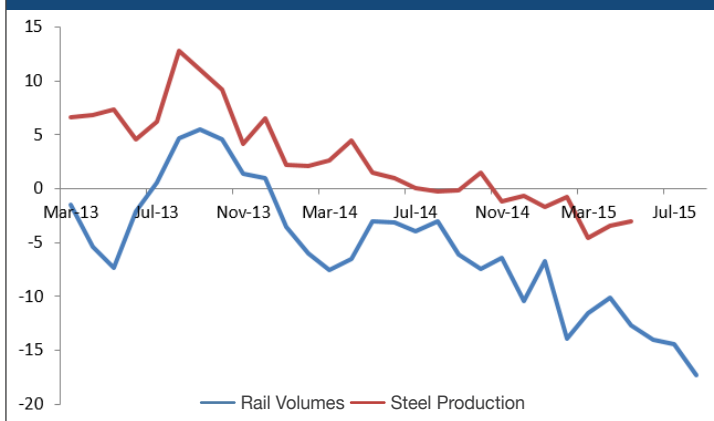
The S&P/TSX was up 1.88% on a total return basis over the month, with many of GICS sectors positive for the month. The energy sector had the best performance over the month, up 7.6% followed by the materials sector, which was up 7.0%. The health care sector of the index was the biggest contributor to negative variance, down -45.7% over the month, followed by the consumer staples sector which was down -2.0%.

#### Fund Performance:

The Fund's performance was disappointing in October closing down -0.70% for the month given the strong performance of global markets. The Fund's performance was more reasonable when examined on a currency-adjusted basis and when compared with the performance of the S&P/TSX. While markets rebounded in October from the dismal performance in August and September much the leadership was from the energy and materials sectors that are unlikely to outperform in a longer-term context given their exposure to China which is experiencing dramatically slower growth in its industrial economy. The funds relatively high cash weighting coming out of the August-September period also acted as a drag on performance as well as the Fund's relatively high weighting in the financial and health care sector also hindered performance as these sectors lagged the broader markets' advance.



**Figure 1: Measures of Chinese Industrial Activity Falling – Can Materials & Energy Stocks Continue to Outperform?**



Source: Bloomberg, CIBC

Biotechnology stocks also put downward pressure on the Fund in October led by Valeant Pharmaceuticals which was down a staggering -47.43 per cent. While the fund did not own Valeant Pharmaceuticals the Fund did own long Horizon Pharma, Biogen Inc., CVS Health Corp., Cardinal Health and Universal Health Services, all of which were negatively impacted by the broader sell off in the health care sector.

The S&P 500 was up 8.44% in US dollar terms and up 5.83% in Canadian dollar terms on a total return basis. The fund also underperformed the S&P/TSX which was up 1.88% on a total return basis. The Sharpe Ratio for the Fund was -1.61 over the month. The fund's Sharpe Ratio was worse than that of the S&P 500 Index which had a monthly Ratio of 7.87.

The top four performers for the Fund during the month was a long position in The Walt Disney Company (DIS-NYSE), which contributed a positive variance of +0.172%, a long position in Mondelez International Inc. (MDLZ-NASDAQ), which contributed a positive variance of +0.171%, over the period on an unrealized basis. The other top contributors to Fund performance was a long position in Sumitomo Mitsui Financial Group, Inc. (8316-Tokyo), which contributed a positive variance of +0.155% and a long position on Magna International, Inc. (MG-S&P/TSX) which contributed a positive variance of +0.155% to the Fund on an unrealized basis.

The bottom four performers for the Fund include a long position in Lightstream Resources Ltd. (LTS-S&P/TSX), which contributed a negative variance of -0.39%, over the month. Additionally a long position in Horizon Pharma PLC (HZNP-NASDAQ) which contributed a negative variance of -0.232%, over the period, while a long position in Moncler S.p.A. (MONC-Italy), contributed a negative variance of -0.20%, on an unrealized basis to the Fund. A short position on Baytex Energy Corporation (BTE-S&P/TSX) contributed a negative variance of -0.18% on an unrealized basis, over the period.

### Outlook:

Markets have generally been more stable and optimistic since the selloff in the August-September period. Despite stronger markets there are many headwinds for investors to fret about. Stock prices are high, corporations are having trouble sustaining earnings growth, manufacturing is in a slump, oil is down and the U.S. dollar is up.

Fed officials have made it clear that a rate rise is in the cards for December. Underscoring this was the release of the October Fed minutes that showed a strong desire among committee members to raise rates. A sharp slowdown in jobs gains or wage inflation could still cause the Fed to keep rates steady but financial-markets momentum toward a rate increase is strong and the Manager believes that the Fed risks losing credibility if it surprises investors by standing pat.

Retail stocks which have been among the stronger S&P 500 stock groups this year are now facing difficulties, underscoring the quandary investors are struggling with. October U.S. retail sales numbers showed just 0.1% growth while Nordstrom cut its profit and sales forecasts and Macy's warned that it would have to make heavy markdowns to clear unsold goods. Macy's fell 20% and Nordstrom fell 18% in mid-November. For the year, Macy's and Nordstrom are both down more than 30%. Amazon's stock in contrast has more than doubled this year while Starbucks is up 46%, helping to power the S&P 500 consumer discretionary group to gains of 7.6% for 2015.

An ongoing problem for the market is that many smaller stocks are falling back, leaving a small number of large capitalization stocks to power the market gains. In periods of market strength, smaller stocks typically lead global exchanges higher. For weeks small caps and small cap indices such as the Russell 2000, which is comprised of smaller domestically focused stocks, has been consistently underperforming the broader stock averages.

With the market rallying on an increasingly narrower group of leadership stocks it is clear that this is a market of stocks rather than a stock market. The Manager believes that stock picking will be even more important in the future than it has been in the past.

If indeed the Fed does go ahead with a rate increase in December this will be a welcome development for markets. After nine years of an accommodative Fed, many investors worry about the potential market implications of such a move and may explain why the market seems to have stalled recently. Despite these concerns the Manager believes that while stock prices may indeed be volatile around Fed rate hike initiations, when yields are increasing from very low levels it benefits stocks.

Growth stocks will likely continue to be favored by the market while energy and materials stocks are likely to remain under pressure. The Fund continues to increase its short exposure to energy, emerging markets and materials stocks which are likely to continue to struggle for the foreseeable future.



**NAVs - LP - Unrestricted Classes <sup>2</sup>**

Class	CCY	NAV
A	CAD	92.4541
F	CAD	86.5541
I	CAD	NA
S	CAD	

**NAVs - TRUST - Unrestricted Classes <sup>2</sup>**

Class	CCY	NAV
A	CAD	8.6841
F	CAD	8.5775
I	CAD	NA
S	CAD	NA

**Historical Performance (in percentage terms) <sup>3</sup>**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD <sup>4</sup>
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			-8.10

<sup>2</sup> 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.

<sup>3</sup> Source: SGGG Fund Services Inc. Past performance is not a reliable

indicator of future results.

<sup>4</sup> 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.