STEPHENSON & COMPANY
Capital Management

NORTH AMERICAN OPPORTUNITY FUND LP

As at October 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**

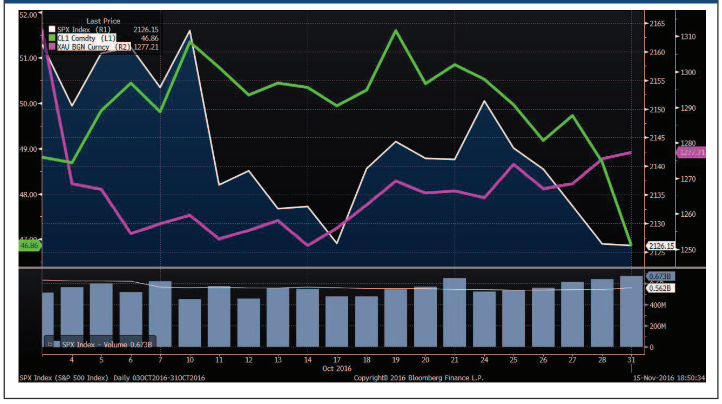
Monthly Commentary

Market Developments:

The Fund was down -2.70% (net of expenses) for the month of October, with U.S. long positions down -0.69% and non-North American long positions up +0.006%, while Canadian dollar long positions were down -1.26%. U.S. short positions were up +0.045% while Canadian dollar short positions were down -0.65% and convertible bonds were down -0.138%. Preferred share positions were up +0.037% while option strategies contributed a positive variance of +0.11% in October. The foreign exchange exposure of the Fund contributed a negative variance of -0.10% to performance, over the period.

Over the month, the S&P 500 was down -1.94% on a price basis. The index rallied +1.17% between the 18th and the 24 before it began falling over the remaining trading days of the month. Starting on the 25 of October the S&P 500 fell for nine straight days until November 4 the worst stretch for the index in more than thirty-five years.

Figure 1: October was a Difficult Month for the S&P500



Source: Bloomberg Finance L.P.

Markets were characterized by the start of the reflation trade in October as investors who longed craved for inflation finally seemed to be finally getting some. The gainers in the inflation trade included inflation-protected government bonds throughout the developing world as well as commodities such as oil, zinc, aluminum and iron ore.

Global bonds faced their largest monthly losses in more than three years during October, as investors feared that the lynchpins of a rally that drove sovereign bond yields to record lows this summer are under threat. The selloff echoes the anxiety felt at the end of last year, as the U.S. Federal Reserve prepared to raise interest rates for the first time since the financial crisis, forcing investors to contemplate what it would mean for central bank support to come to an end.

In October, the S&P 500 has retreated from a record high as rising bond yields remove a key support for equities. Better than expected U.S. economic figures helped push the yield on the 10-year benchmark Treasury up 2 basis points to 1.88 percent.

Years of low rates have helped to act as a catalyst for bond-like income equities, but now that rates have melted higher, the tailwind has turned into a negative. With many income-yielding equities such as REITs have been taking it on the chin as bond prices have sunk and their yields have risen.

Though it has been years since rising prices have posed a problem for central bankers, there are signs that the picture is becoming more muddied. Wholesale inflation in China just turned positive for the first time since 2012. The U.K.'s consumer-price index rose at the fastest pace in nearly two years in September. In the U.S., the CPI gained 1.5% in September, the biggest year-over-year increase since 2014. And the recovery in oil prices is helping to support inflation after years of steep declines.

During the month, industrial metals that typically benefit from higher inflation expectation have been gaining ground. Zinc hit a fresh five-year high, while copper, nickel and aluminum rallied. The U.S. Federal Reserve is zeroing in on an end-of-year hike helping to drive higher rates in the broader bond market. Not to mention that top central bank officials on both sides of the Atlantic have been signaling that they might tolerate inflation running slightly above target for some time.

The S&P 500 benefited by strong gains in technology and telecommunications companies with Akamai Technologies soaring +29.34%, while Level 3 Communications was up +22.04%. Retailer The GAP was up +26.44%, over the month.

The TSX benefited from a strong bounce in materials stocks led by Teck Resources which was up +22.87% in October and First Quantum Minerals which was up +18.62%, over the month. The index was negatively impacted by a swoon of -25.21% in Valeant Pharmaceuticals International and a sharp drop in First Majestic Silver, which fell -17.60% in October.

Volatility as measured by the VIX Index increased steadily over the course of the month. The VIX Index peaked on the last day of the month at 17.06 for an increase of +28.37%, on the month.

The S&P 500 closed the month at 2126.15, a decrease of -1.82% on a total return basis for the month. The S&P 500 returned +0.33% on a total return basis when expressed in Canadian dollars over the month. Returns across the various GICS sectors varied widely in October with the financial sector up +2.2%, followed by the utility sector, which was up +0.8%, while the telecom services sector had the weakest performance, down -7.5% followed by the healthcare sector, which was down -6.6%, over the period.

The S&P/TSX was up +0.57% on a total return basis over the month, with wide variances in the performance amongst the GICS sectors. The financial sector had the best performance over the month, up +2.2% followed by the consumer staples sector, which was up +1.8%. The healthcare sector had the weakest performance, down -17.8% followed by the consumer discretionary sector, which was down -2.4%, over the month.

Fund Performance:

The Fund was down -2.70% in October reflecting the tilt of the Fund toward the more defensive sectors of the market. Cyclical sectors continued their outperformance in October while the defensive sectors particularly the telecom services sector plummeted -7.5% over the month.

The S&P 500's performance over the month was poor with few GICS sectors showing strength. The best performing sector of the S&P 500 was the financial sector, which benefited from a backup in yields as investors reasoned that the Fed was likely to raise rates again in December.

The Fund underperformed the S&P 500, which was down -1.82% in US dollar terms and underperformed the S&P500 which returned +0.33% when measured in Canadian dollar terms on a total return basis. The Fund also underperformed the S&P/TSX which was up +0.57% on a total return basis. The Sharpe Ratio for the Fund was -4.49, over the month. The fund's Sharpe Ratio was worse than that of the S&P 500 Index which had a monthly Ratio of -3.47.

The top four performers for the Fund during the month was a long position in KeyCorp (KEY—NYSE), which contributed a positive variance of +0.31%, a long position in MTY Food Group Inc. (MTY—TSX), which contributed a positive variance of +0.21%, over the period on an unrealized basis. The other top contributors to Fund performance was a long position in iShares MSCI Brazil Capped ETF (EWZ—NYSE Arca), which contributed a positive variance of +0.18% and a long position in Time Warner Inc. (TWX—NYSE) which contributed a positive variance of +0.165% to the Fund.

The bottom four performers for the Fund include a long position in Veresen Inc. (VSN—TSX), which contributed a negative variance of -0.297%, over the month. Additionally a long position in National Grid PLC-SP ADR (NGG—NYSE), which contributed a negative variance of -0.26%, over the period, while a long position in Newell Brands, Inc. (NWL—NYSE) contributed a negative variance of -0.256%, over the month. A long position in ONEOK Inc. (OKE—NYSE) contributed a negative variance of -0.21%, over the period.

Outlook:

The surprise outcome of the U.S. election caught investors flat-footed, with most investors unprepared for a Trump presidency. At the time of writing the bond prices tumbled and equities soared, particularly in sectors likely to benefit from Trump policies, such as pharmaceuticals and infrastructure.

A Trump presidency appears to be inflationary. It took just a few hours after his win for investors to appreciate the prospect of a pro-growth, business and regulation friendly administration that wants to pump prime the economy via tax cuts and massive infrastructure spending. If globalization and free trade were major forces of disinflation then any increase in protectionism must be inflationary. Similarly, a pledge to deport 11.3 million undocumented immigrants (7% of the U.S. labor force) may be a logistical nightmare but any steps taken that restricts the opportunity for these immigrants to find work in the U.S. would result in possible labor shortages—in itself inflationary.

In the first few days after the election results were announced bonds staged a sharp sell-off, erasing an estimated $1 trillion of value globally as investors braced for more inflationary pressure and higher interest rates under a Trump administration.

The market has spoken and what appear irrefutable is that the market likes the prospect of less regulation, lower taxes and infrastructure spending. This enormous change in the market paradigm is welcome news for fundamental investors as what used to matter was central bank watching and other macro trends.

A renewed emphasis on fundamentals is good for stock pickers and active managers against an investing backdrop that had increasingly become dominated by passive investment strategies. The earnings recession for the S&P 500 has finally ended after five consecutive quarters of year-over-year earnings declines.

Investors had become used to looking at a world where two per cent economic growth was considered good. With president-elect Trump readying a massive infrastructure spending program the U.S. will experience economic growth of close to three per cent next year. The U.S. dollar will likely continue its strengthening trend with USDCAD likely going to 1.39 or higher by the first quarter of 2017. Stronger U.S. economic growth is very bullish for U.S. cyclical stocks, particularly the financials which are benefitting from a steepening yield curve. A more accommodative regulatory environment will likely be a boon for healthcare stocks.

Bonds, particular long-duration bonds will continue to be under pressure while gold will likely continue to weaken in a stronger growth environment and against a strengthening U.S. dollar. Utilities, REITs and Telcos will likely be the underperformers in the months ahead as higher rates are looking now like a foregone conclusion.

The Manager is re-emphasizing the Fund's exposure to U.S. cyclical stocks and is under-weighting the defensive sectors of the market. The markets will likely be volatile but upwardly biased over the next six months as the implementation of Trump policies will likely not match expectations, however the likely emphasis on fiscal rather than monetary policy solutions to U.S. economic growth will make company fundamentals the driver of U.S. equity markets going forward—a welcome and long overdue development.

Performance Statistics*

1 month	**-2.70%**
3 months	**-6.34%**
3 Years	**N/A**
5 Years	**N/A**
Annualized volatility	**14.3%**
Sharpe Ratio (since inception)	**(1.63)**
Sharpe Ratio S&P 500 (since inception)	**(0.17)**

GICS Sectors[1]

Sector	Weight
Energy	**5.9%**
Materials	**1.4%**
Industrials	**2.3%**
Consumer Discretionary	**19.4%**
Consumer Staples	**6.3%**
Health Care	**1.7%**
Financials	**20.4%**
Information Technology	**0%**
REITs	**11.2%**
Telecommunication Services	**3.5%**
Utilities	**15.1%**
Other (ETFs & derivatives)	**24.0%**

[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	**40.0%**	CAD	**45.0%**
US	**45.8%**	USD	**46.8%**
Europe (ex-UK)	**7.3%**	CHF	**0.4%**
UK	**6.9%**	GBP	**4.0%**
Japan	**0.0%**	EUR	**3.8%**
Other	**0.0%**	JPY	**0.0%**

*By country of domicile.

Monthly Risk Metrics

	Metric
Net market exposure (longs-shorts)	**72.1%**
Beta of the Fund	**0.40**
Volatility of the Fund (Annualized)	**7.6%**
Volatility of the S&P 500 (Annualized)	**6.8%**
Maximum Monthly Drawdown (Intra Month)	**2.64%**
Sharpe Ratio (Monthly)	**(4.49)**
Sharpe Ratio S&P 500 (Monthly)	**(3.47)**

NAVs - LP - Unrestricted Classes [2]

Class	CCY	NAV
A	CAD	58.7554
F	CAD	55.4230
I	CAD	NA
S	CAD	60.0291

NAVs - TRUST - Unrestricted Classes [2]

Class	CCY	NAV
A	CAD	5.7237
F	CAD	5.4246
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.