STEPHENSON & COMPANY
Capital Management

NORTH AMERICAN OPPORTUNITY FUND LP

As at September 30, 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**

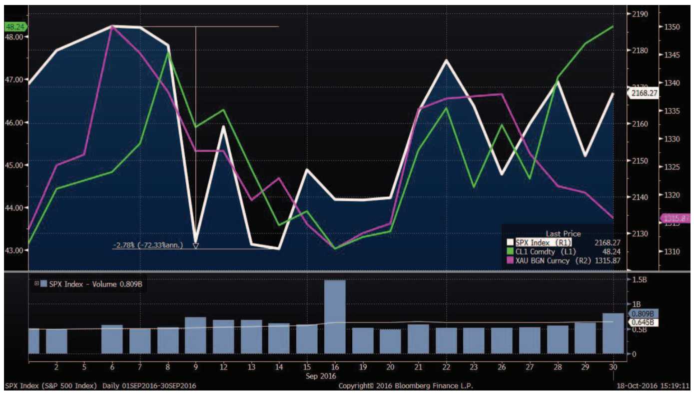
Monthly Commentary

Market Developments:

The Fund was down -1.86% (net of expenses) for the month of September, with U.S. long positions down -0.89% and non-North American long positions down -0.75%, while Canadian dollar long positions were up +0.10%. U.S. short positions were down -0.11% while Canadian dollar short positions were down -0.11% and convertible bonds were down -0.005%. Option strategies contributed a negative variance of -0.08% in September. The foreign exchange exposure of the Fund contributed a negative variance of -0.005% to performance, over the period.

Over the month, the market swung widely. The S&P500 dropped -2.78% from September 7 to September 14 and then moved sideways with wide gyrations on a daily basis to finish the month just slightly below the August close.

Figure 1: September was a Month of Dramatic Ups and Downs



Source: Bloomberg Finance L.P.

During the week of September 12th the S&P 500 broke out of its summer lull with three daily moves of more than one per cent. The monetary policies of the Federal Reserve were very much a focus of the markets in September with Boston Fed President, Eric Rosengren, a noted dove, voicing strong concerns that easy-money could be letting markets get out of hand the way they did before the financial crisis.

On September 9 the S&P 500 fell 2.45% on the day. The rout halted a period of calm that saw the index move no more than one per cent in either direction for 43 days. Shares of defensive stocks led declines on U.S. exchanges as trades that investors piled into in search of dividend yields reversed amid a spike in Treasury rates. Utilities and phone stocks plunged more than 2.6 percent, while real-estate investment trusts tumbled 3.4 per cent.

Rosengren's most recent concern was the role that very low interest rates have played in fueling bubbly asset prices. His focus was on commercial real estate—the soaring market for office buildings, warehouses and apartment buildings. According to the Boston Fed, lending to the sector totaled $3.6 trillion as of March, with just over half coming from banks with the remainder coming from pension funds and life insurers. With steadily rising real estate prices since 2009, Rosengren is worried that the gains are being driven in part by the scramble for returns in the low-yield world rather than the fundamentals of supply and demand.

His worry was that a sharp downturn in commercial real estate prices could lead to large losses amongst lenders and commercial real estate firms triggering a broader economic slowdown. His comments sparked a broad selloff in the S&P 500 with the benchmark index plunging nearly 3 per cent by the middle of the month.

Rosengren's comments were also echoed by Claudi Borio, the chief economist of the Bank for International Settlements (BIS), a Switzerland-based consortium of central banks who warned that markets had become too dependent on central banks. "It's becoming increasingly evident that central banks have been overburdened for far too long," said Borio. The BIS has warned that the global economy is too dependent on its central banks, whose money-printing power allows for rapid response to crises. The result is that central bank money boosts asset prices even if underlying economic conditions haven't changed.

Crude oil prices caught a bid in the last week of September as the Organization of the Petroleum Exporting Countries (OPEC) showed that it does indeed have a heartbeat by announcing at its informal meeting in Algeria that it had reached a consensus to reduce production by up to 700,000 barrels a day later this year. After pumping full tilt for the past two years and watching the crude oil market sort itself out on its own, the September announced told us that OPEC, and particularly Saudi Arabia, is willing to take an active role in rebalancing the market.

The last few days of trading in September were dominated by the bizarre spectacle of a sharp selloff and then late rally to close the month in the shares of Deutsche Bank AG. Traders have kept a close watch on Deutsche Bank as one of the world's largest lenders struggles with tougher capital standards, negative interest rates and soaring legal bills. A request by the U.S. Department of Justice for the bank to pay $14 billion to settle an investigation into residential mortgage-backed securities helped drive the shares of Deutsche Bank to fresh lows. By month end, speculation that the bank may be able to settle for a much lower amount than previously thought sent the shares soaring 14.02% on the final day of trading in September.

The S&P 500 benefited by strong gains in energy and technology with Apache Corp soaring 28.28%, while Spectra Energy Corp was up 20.05%. Semiconductor stocks were on fire in September with Seagate Technology gaining 14.36% over the month.

The TSX benefited from a strong bounce in energy stocks led by Bonavista Energy which was up 25.97% in September and Kelt Exploration Ltd. which was up 21.64% over the month. The index was negatively impacted by a swoon of -15.49% in Valeant Pharmaceuticals International and a sharp drop in Bombardier Inc., which fell -15.49% in September.

Volatility as measured by the VIX Index moved sharply higher in the first half of the month before drifting lower in the last half of the month. The VIX Index peaked at an intra-month high of 18.14 on September 14. The VIX closed at 13.29 on September 30, a decrease of 9.69% on the month.

The S&P 500 closed the month at 2168.27, an increase of +0.02% on a total return basis for the month. The S&P 500 returned -0.05% on a total return basis when expressed in Canadian dollars over the month. Returns across the various GICS sectors varied widely in September with the energy sector up 2.9%, followed by the information technology sector, which was up 2.4%, while the financial sector had the weakest performance, down -2.9% followed by the consumer staples sector, which was down -1.7%, over the period.

The S&P/TSX was up 1.13% on a total return basis over the month, with wide variances in the performance amongst the GICS sectors. The energy sector had the best performance over the month, up 3.5% followed by the materials sector, which was up 2.4%. The healthcare sector had the weakest performance, down -10.1% followed by the consumer staples sector, which was down -4.0%, over the month.

Fund Performance:

The Fund was down -1.86% in September reflecting the tilt of the Fund toward the more defensive sectors of the market. Cyclical sectors of the market have outperformed defensive sectors of the market since mid-summer, but it is extremely difficult to draw any macro conclusions from the past month or so of market action.

In the S&P 500 cyclical sector outperformance has been driven solely by the information technology sector, as industrials and materials have rolled over while energy has moved laterally in relative performance terms. In terms of defensive sectors, the interest rate-sensitive sector was hard hit as was the healthcare sector which has once again been caught in the electoral crosshairs.

The Fund underperformed the S&P 500, which was up 0.02% in US dollar terms and underperformed the S&P500 which returned -0.05% when measured in Canadian dollar terms on a total return basis. The Fund also underperformed the S&P/TSX which was up 1.13% on a total return basis. The Sharpe Ratio for the Fund was -2.59, over the month. The fund's Sharpe Ratio was worse than that of the S&P 500 Index which had a monthly Ratio of -0.09.

The top four performers for the Fund during the month was a long position in Veresen Inc. (VSN—TSX), which contributed a positive variance of +0.14%, a long position in First Capital Realty Inc. (FCR—TSX), which contributed a positive variance of +0.136%, over the period on an unrealized basis. The other top contributors to Fund performance was a long position in MTY Food Group Inc. (MTY—TSX), which contributed a positive variance of +0.11% and a long position in ONEOK Inc. (OKE—NYSE) which contributed a positive variance of +0.096% to the Fund.

The bottom four performers for the Fund include a long position in Evolva Holdings SA (EVE—Swiss), which contributed a negative variance of -0.44%, over the month. Additionally a long position in Duluth Holdings Inc. (DLTH—NASDAQ), which contributed a negative variance of -0.22%, over the period, while a long position in Vodafone Group PLC SP ADR (VOD—NASDAQ) contributed a negative variance of -0.19%, over the month. A long position in Pattern Energy Group Inc. (PEGI—NASDAQ) contributed a negative variance of -0.17%, over the period.

Outlook:

While we may be witnessing a stabilization of global economic growth, there is a dearth of evidence pointing to a meaningful acceleration. Global manufacturing surveys have stabilized, but are oscillating around the boom/bust line rather than recording incremental gains.

Given the weak economic growth globally a broadening-out of cyclical sector leadership (beyond information technology) is unlikely, suggesting that defensive sectors will once again return to a leadership role. The Manager believes the current tilt of the Fund with a slightly higher weighting toward defensive sectors will prove successful over the medium term.

Global trade this year will grow at the slowest pace since 2007, according to the World Trade Organization, just as protectionist policies are on the rise and efforts to liberalize trade have stalled. The International Monetary Fund recently warned that anti-trade trends such as increases in tariffs could cause long-term damage to the world economy. Some are worried this could spill over to corporate profits.

Slowing global trade is a response to aging demographics in the West, and to the publics' broadening discontent with what they see as unequal and unfair outcomes from global trade. This discontent has been manifested in the Brexit vote and the rise of Donald Trump. Many global investors are beginning to worry that a broad slowdown in world trade and growing populist opposition to new trade agreements are undermining corporate profits and could be the next big drag on the stock market.

Equity prices have been helped in large part over the last three decades by an acceleration of global trade and a freer flow of capital. Those lifted economic growth and allowed companies to take advantage of new markets and economies of scale. The S&P 500 is up nearly nine fold since October 1986, according to FactSet.

Markets are likely to remain uncertain and directionless for the remainder of the year. A contentious and vicious election campaign in the United States is drawing to a close in early November with a strong potential to roil markets. Not to mention the much anticipated December policy meeting by the Federal Reserve's Open Market Committee which has the potential to upend markets. These are just two of the upcoming events that could introduce additional volatility to markets.

Markets are pricing in a Clinton victory, so any surge by Donald Trump will be a negative for markets in the short-term.

The Manager continues to employ a barbell strategy with ample defensive positions and a smattering of growth or cyclical names in case the market surprises to the upside which should serve the Fund well in the months ahead. Additionally the Manager has become much more active on the short side of the market to capitalize on short-term opportunities as they arise and to provide better downside protection as uncertainty appears to have increased.

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Performance Statistics*

1 month	-1.86%
3 months	-3.89%
3 Years	N/A
5 Years	N/A
Annualized volatility	14.5%
Sharpe Ratio (since inception)	(1.59)
Sharpe Ratio S&P 500 (since inception)	(0.11)

GICS Sectors[1]

Sector	Weight
Energy	9.0%
Materials	0.0%
Industrials	1.8%
Consumer Discretionary	14.3%
Consumer Staples	3.2%
Health Care	4.0%
Financials	9.5%
Information Technology	1.2%
REITs	9.4%
Telecommunication Services	2.3%
Utilities	11.9%
Other (ETFs & derivatives)	42.9%

[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	26.0%	CAD	43.1%
US	62.2%	USD	53.8%
Europe (ex-UK)	5.1%	CHF	0.2%
UK	6.7%	GBP	2.1%
Japan	0.0%	EUR	0.9%
Other	0.0%	JPY	0.0%

*By country of domicile.

Monthly Risk Metrics

	Metric
Net market exposure (longs-shorts)	78.7%
Beta of the Fund	0.27
Volatility of the Fund (Annualized)	9.3%
Volatility of the S&P 500 (Annualized)	14.6%
Maximum Monthly Drawdown (Intra Month)	3.05%
Sharpe Ratio (Monthly)	(2.59)
Sharpe Ratio S&P 500 (Monthly)	0.09

NAVs - LP - Unrestricted Classes [2]

Class	CCY	NAV
A	CAD	60.4451
F	CAD	56.9630
I	CAD	NA
S	CAD	62.6973

NAVs - TRUST - Unrestricted Classes [2]

Class	CCY	NAV
A	CAD	5.8898
F	CAD	5.5827
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.