

STONE GALEFORCE DIVIDEND GROWTH POOL

A Class of Special Securities of Stone GaleForce Investment Corporation

2019 Annual Audited Financial Statements

For the periods ended December 31, 2019 and 2018

STONE GALEFORCE DIVIDEND GROWTH POOL

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STONE GALEFORCE DIVIDEND GROWTH POOL

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Stone Asset Management Limited in its capacity as Manager of the Stone GaleForce Dividend Growth Pool (the "Pool") and approved by the Board of Directors of the Manager. The Pool's Manager is responsible for the information and representation contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 2 to the financial statements.

Ernst & Young LLP is the external auditor of the Pool, appointed by the Manager. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the securityholders their opinion on each of the financial statements. Their report is set out opposite.



Richard G. Stone

President & CEO

Stone Asset Management Limited

April 6, 2020

INDEPENDENT AUDITOR'S REPORT

To the Securityholders of
Stone GaleForce Dividend Growth Pool
(the "Pool")

Opinion

We have audited the financial statements of the Pool, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income (loss), statements of changes in net assets attributable to holders of redeemable securities and statements of cash flows for the periods then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pool as at December 31, 2019 and 2018, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Pool in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Pool's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Pool or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Pool's financial reporting process.

STONE GALEFORCE DIVIDEND GROWTH POOL

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pool's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pool to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 6, 2020

STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF FINANCIAL POSITION

AS AT

(in thousands of dollars; per security amounts are expressed in whole dollars)	December 31, 2019	December 31, 2018
Assets		
Current assets		
Investments (Note 2)	\$ 9,450	\$ 7,923
Cash	1,563	1,339
Dividends receivable	13	21
Receivable for investments sold	-	299
Subscriptions receivable	1	1
	<u>11,027</u>	<u>9,583</u>
Liabilities		
Current liabilities		
Redemption payable	2	11
Deferred income tax (Note 6)	342	94
Accounts payable and accrued expenses (Note 7)	190	6
	<u>534</u>	<u>111</u>
Net assets attributable to holders of redeemable securities (Note 3)	\$ 10,493	\$ 9,472
Net assets attributable to holders of redeemable securities per security	\$ 14.15	\$ 12.73

Approved on behalf of Stone Asset Management Limited:



Richard G. Stone
Director



James Elliott
Director



STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE PERIODS ENDED DECEMBER 31 (Note 1)

(in thousands of dollars; per security amounts are expressed in whole dollars)	2019	2018
Income (Note 2):		
Dividends	\$ 223	\$ 230
Net realized gains (losses) on sale of investments and derivatives	(98)	149
Change in unrealized appreciation (depreciation) of investments and derivatives	1,634	(313)
Net gains (losses) on investments and derivatives	1,759	66
Foreign exchange gains (losses) on cash	(28)	30
Total income (loss)	1,731	96
Expenses (Note 4):		
Management fees (Note 7)	52	51
Securityholder reporting costs	50	38
Transfer agency fees	8	-
Custodian fees	3	13
Audit fees	9	11
Legal fees	1	2
Performance fees	172	5
Transaction costs	2	5
Foreign withholding taxes	11	11
Total expenses	308	136
Expenses waived/absorbed by the Manager	(53)	(46)
Total expenses (net)	255	90
Increase (decrease) in net assets attributable to holders of redeemable securities before income taxes	\$ 1,476	\$ 6
Deferred income tax (expense) recovery (Note 6)	(248)	20
Increase (decrease) in net assets attributable to holders of redeemable securities	\$ 1,228	\$ 26
Increase (decrease) in net assets attributable to holders of redeemable securities per security	\$ 1.64	\$ 0.10



STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

FOR THE PERIODS ENDED DECEMBER 31 (Note 1)

(in thousands)	2019	2018
Net assets attributable to holders of redeemable securities, beginning of period	\$ 9,472	\$ 9,938
Increase (decrease) in net assets attributable to holders of redeemable securities	1,228	26
Redeemable securityholder transactions		
Proceeds from issue of redeemable securities	536	4,088
Reinvestment of dividends to holders of redeemable securities	145	148
Redemption of redeemable securities	(710)	(4,548)
Net securityholder transactions	(29)	(312)
Dividends to securityholders of redeemable securities		
Dividends	(153)	(178)
Capital gains dividends	-	-
Return of capital	(25)	(2)
Total dividends to securityholders of redeemable securities	(178)	(180)
Net assets attributable to holders of redeemable securities, end of period	\$ 10,493	\$ 9,472
Securities issued and outstanding		
Securities, beginning of period	744	767
Securities issued for cash	39	314
Securities issued on reinvestment of dividends	10	11
Securities redeemed	(52)	(348)
Securities, end of period	741	744



STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED DECEMBER 31 (Note 1)

(in thousands)	2019	2018
Cash flows used in operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable securities	\$ 1,228	\$ 26
Adjustments for:		
Foreign exchange losses (gains) on cash	28	24
Net realized losses (gains) on sale of investments and derivatives	98	(149)
Change in unrealized depreciation (appreciation) of investments and derivatives	(1,634)	313
Purchases of investments and derivatives	(758)	(1,071)
Proceeds from sale and/or maturity of investments and derivatives	767	1,912
Dividends receivable	8	1
Deferred income tax	248	(21)
Receivable for investments sold	299	(299)
Accounts payable and accrued expenses	184	(82)
Net cash from operating activities	468	654
Cash flows from financing activities:		
Proceeds from issue of redeemable securities	536	4,089
Amount paid on redemptions of redeemable securities	(719)	(4,901)
Dividends paid to holders of redeemable securities, net of reinvested dividends	(33)	(32)
Net cash from financing activities	(216)	(844)
Foreign exchange gains (losses) on cash	(28)	(24)
Net increase (decrease) in cash and cash equivalents during the period	252	(190)
Cash and cash equivalents, beginning of period	1,339	1,553
Cash and cash equivalents, end of period	\$ 1,563	\$ 1,339
Supplemental disclosure of cash flow information*:		
Dividends received, net of foreign withholding taxes	\$ 220	\$ 220
Cash and cash equivalents are comprised of:		
Cash	\$ 1,563	\$ 1,339
	\$ 1,563	\$ 1,339

* Included as part of cash flows from operating activities.



STONE GALEFORCE DIVIDEND GROWTH POOL

SCHEDULE OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2019

Number of Shares or Par Value	Security	Average Cost (000s)	Carrying Value (000s)	%
Consumer Discretionary (1.6%)				
5,710	Park Lawn Corp.	\$ 110	\$ 167	
		110	167	1.6%
Consumer Staples (3.9%)				
2,310	Coca-Cola Co.	121	166	
641	Costco Wholesale Corp.	125	244	
		246	410	3.9%
Energy (3.4%)				
3,520	Pembina Pipeline Corp.	159	170	
4,300	Suncor Energy Inc.	205	183	
		364	353	3.4%
Financials (44.8%)				
7,870	Bank of America Corp.	238	359	
10,391	Bank of Montreal, Preferred, Class 'B', Series '25', Variable Rate, Callable, Perpetual	207	252	
8,090	Bank of Nova Scotia	584	593	
2,769	Bank of Nova Scotia, Series '30', Callable	61	69	
8,526	Bank of Nova Scotia, Series '32', Variable Rate, Callable, Perpetual	172	211	
7,305	Brookfield Asset Management Inc., Class 'A'	322	548	
2,275	Canadian Imperial Bank of Commerce	258	246	
5,000	Decisive Dividend Corp.	20	19	
1,000	Fidelity National Information Services Inc.	88	180	
1,990	JPMorgan Chase & Co.	230	360	
8,000	Power Financial Corp.	270	280	
6,500	Royal Bank of Canada	572	668	
7,500	Toronto-Dominion Bank	449	546	
1,500	Visa Inc., Class 'A'	184	365	
		3,655	4,696	44.8%
Health Care (11.6%)				
3,100	Abbott Laboratories	169	349	
465	Becton, Dickenson & Co.	106	164	
7,548	Jamieson Wellness Inc.	146	194	
2,734	Pfizer Inc.	126	139	
1,368	Stryker Corp.	200	373	
		747	1,219	11.6%
Industrials (7.2%)				
2,194	Cargojet Inc.	138	227	
7,000	TFI International Inc.	201	306	
1,900	Waste Connections Inc.	156	224	
		495	757	7.2%
Materials (1.9%)				
790	Ecolab Inc.	121	198	
		121	198	1.9%
Technology (8.1%)				
2,500	Microsoft Corp.	203	511	
2,915	Open Text Corp.	124	167	
2,500	Oracle Corp.	126	172	
		453	850	8.1%



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SCHEDULE OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2019 (continued)

Number of Shares or Par Value	Security	Average Cost (000s)	Carrying Value (000s)	%
	Utilities (7.6%)			
15,000	AES Corp.	224	387	
5,535	Boralex Inc., Class 'A'	122	135	
2,465	Brookfield Infrastructure Partners L.P.	126	160	
3,400	Pattern Energy Group Inc., Class 'A'	91	118	
		563	800	7.6%
	Transaction Costs	(5)		
	Total Investment Portfolio	\$ 6,749	\$ 9,450	90.1%
	Cash & Other Net Assets (Liabilities) (9.9%)		1,043	9.9%
	Total Net Assets (100.0%)		\$ 10,493	100.0%

Percentages shown relate to investments at carrying value to total net assets of the Pool.



STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES

AS AT DECEMBER 31, 2019 AND DECEMBER 31, 2018

(in thousands of dollars; per security amounts are expressed in whole dollars)

Risk management

The investment objective of the Stone GaleForce Dividend Growth Pool (the “Pool”) is to achieve above average long-term capital growth that is consistent with a prudent investment philosophy encompassing a diversified portfolio approach. The Pool invests primarily in equity securities of Canadian companies that demonstrate financial strength and potential for a strong return, combining dividend income and the potential for capital appreciation.

The Pool’s investments may be exposed to a variety of financial instruments risks: market risk (comprised of other market price risk, foreign currency risk and interest rate risk), liquidity risk, credit risk and concentration risk.

The Manager of the Pool, Stone Asset Management Limited (“SAM”), aims to manage risk as part of its investment process through the thorough analysis and careful selection of securities and diversification across asset classes and industry sectors.

SAM also manages risk by ensuring the portfolio management activities of the Pool comply with its investment objectives and strategies and applicable securities legislation.

Market price risk

The value of securities in the Pool’s investment portfolio may be affected by factors other than those specific to the individual securities. Market price fluctuations may be caused by general economic and financial conditions or industry-specific matters. Political, social and environmental factors can also affect the value of any investment. The value of equity-related securities, such as warrants, options, and convertible securities, is also affected by market price risk.

The most significant exposure to market price risk for the Pool arises from its investment in equity securities. The Pool moderates this risk through a careful selection of securities within the parameters of the investment strategy. If equity prices on the respective stock exchanges had increased or decreased by 5%, as at December 31, 2019, with all other factors remaining constant, net assets would have increased or decreased by approximately \$434 (2018 – \$367). This change is estimated using the weighted average beta of the Pool’s equity portfolio, which is calculated based on an historical correlation against respective stock exchanges. In practice, actual trading results may differ and the difference could be material.

Foreign currency risk

Foreign currency risk arises when financial instruments are denominated in a currency other than the Canadian dollar, the functional currency of the Pool. When the Pool buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavourably, it could reduce the value of the Pool’s investment.

The Pool had exposure to the foreign currency shown below in Canadian dollar terms. Also shown below is the potential impact to the Pool’s net assets, all other variables held constant, as a result of a 5% change in this currency relative to the Canadian dollar. In practice, actual trading results may differ and the difference could be material.

December 31, 2019					
Currency	Investments	Cash	Total	% of net assets	Impact on net assets
U.S. Dollar	3,968	603	4,571	43.6	229

December 31, 2018					
Currency	Investments	Cash	Total	% of net assets	Impact on net assets
U.S. Dollar	3,186	359	3,545	37.4	177

Interest rate risk

When a Pool invests in fixed income securities, such as bonds and money market instruments, it is sensitive to changes in interest rates. In general, when interest rates are rising, the value of these investments is falling; when interest rates are falling, the value of these investments is rising. Moreover, fixed income securities with longer terms to maturity are usually more sensitive to changes in interest rates.

There is minimal sensitivity to changes in interest rates for money market securities since these are usually held to maturity and tend to be short-term in nature.

As at December 31, 2019 and 2018, the Pool did not have significant exposure to interest rate risk.

STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Pool may not be able to settle or meet its obligations on time or at a reasonable price. The Pool is exposed to monthly cash redemptions of redeemable securities. The Pool retains sufficient cash and cash equivalent positions to maintain adequate liquidity. The Pool primarily invests in securities that are actively traded in public markets and can be readily disposed of to increase liquidity.

As at December 31, 2019 and 2018, the Pool did not hold any illiquid securities.

As at December 31, 2019 and 2018, all existing liabilities of the Pool are to be settled within three months.

Credit risk

When a company or government issues a fixed income or debt security, it has an obligation to pay interest and repay a specific amount on the maturity date. Credit risk is the risk that the company or government will not meet that obligation. Credit risk is lower among issuers that have good credit ratings from recognized credit rating agencies and higher among issuers with a low credit rating or no credit rating at all. These securities usually offer high interest rates to compensate for the increased risk. Changes in the credit risk of a security can affect its liquidity, making it more difficult to sell.

As at December 31, 2019 and 2018, the Pool did not have significant exposure to credit risk.

Concentration risk

The following table summarizes the portfolio investments as a % of net assets held by the Pool for the periods ended December 31:

Sector	2019	2018
Consumer Discretionary	1.6	3.2
Consumer Staples	3.9	3.2
Energy	3.4	6.0
Financials	44.8	39.2
Health Care	11.6	11.2
Industrials	7.2	8.6
Materials	1.9	-
Technology	8.1	6.5
Utilities	7.6	5.8
Cash & Other Net Assets (Liabilities)	9.9	16.3
Total net assets	100.0	100.0

Fair Value disclosure

The Pool classifies fair value measurements within a hierarchy that gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

The following fair value hierarchy table presents information about the Pool's assets measured at fair value on a recurring basis as at December 31, 2019 and 2018. There were no transfers between Level 1 and Level 2.

December 31, 2019	Level 1	Level 2	Level 3	Total
Equities	\$ 9,450	\$ -	\$ -	\$ 9,450
Total Investment Portfolio	\$ 9,450	\$ -	\$ -	\$ 9,450

STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES (continued)

December 31, 2018		Level 1		Level 2		Level 3		Total
Equities	\$	7,923	\$	-	\$	-	\$	7,923
Total Investment Portfolio	\$	7,923	\$	-	\$	-	\$	7,923

Weighted average number of securities (000's)

For the period ended December 31, 2019, the weighted average number of securities outstanding was 748 (2018 – 757).

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIODS INDICATED IN NOTE 1.

(in thousands of dollars; per security amounts are expressed in whole dollars)

1. THE POOL

Stone GaleForce Dividend Growth Pool (the “Pool”) is an open-ended investment fund constituted as a separate class of special securities of Stone GaleForce Investment Corporation (the “Corporation”) incorporated under the laws of Ontario on July 29, 2011. There were no other classes outstanding as at December 31, 2019 and 2018. The securities are designated as Dividend Growth Securities, which are divisible into series of special securities, which currently consist of Series A securities only. The Pool is not a reporting issuer and is exempt from filing requirements to the securities regulator as per section 2.11 of National Instrument 81-106. The Pool has advised the Ontario Securities Commission that it is relying on the exemption not to file financial statements.

Stone Asset Management Limited (“SAM”) is the Investment Fund Manager and Portfolio Manager of the Pool. The Pool’s registered office is located at 40 University Ave., Suite 901, Toronto, Ontario. The Pool’s investment activities are managed by SAM. The Pool’s custodian is CIBC Mellon, the Pool’s transfer agent is International Financial Data Services and the Pool’s administrator is Stone Investment Group Limited.

The Schedule of Investment Portfolio is as at December 31, 2019. The Statements of Financial Position are as at December 31, 2019 and 2018. The Statements of Comprehensive Income (Loss), Changes in Net Assets Attributable to Holders of Redeemable Securities, and Cash Flows are for the years ended December 31, 2019 and 2018. Throughout these financial statements, reference to the reporting period refers to the reporting period described above.

These financial statements were authorized for issue by the Board of Directors of Stone Asset Management Limited on April 6, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board (“IASB”).

(b) Basis of presentation

These financial statements are presented in accordance with IFRS and have been prepared on a historical-cost basis, except financial instruments that have been measured at fair value.

The financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand dollars (\$000), except where otherwise indicated.

(c) Income tax

Income taxes comprise current and deferred tax. Income taxes are recognized in the Statements of Comprehensive Income (Loss) except to the extent that they relate to items recognized directly in equity, in which case the income taxes are also recognized directly in equity.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred income taxes are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income taxes are determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the Statements of Financial Position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are presented as non-current.

(d) Financial instruments

i) Classification

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives, and cash and other receivables and payables. The Pool classifies and measures financial instruments upon initial recognition in accordance with IFRS 9, “Financial Instruments” (“IFRS 9”). Based on the Pool’s business model and the contractual cash flow characteristics of the investments and derivatives, the Pool classifies and measure their investments and derivatives at fair value through profit or loss (“FVTPL”).

The Pool’s outstanding redeemable securities’ entitlements include a contractual obligation to distribute any taxable Canadian dividends annually in cash (at the request of the securityholder) and therefore the ongoing redemption feature is not the securities’ only contractual obligation. Consequently, the Pool’s outstanding redeemable securities are classified as financial liabilities in accordance with the requirements of IAS 32, Financial Instruments: Presentation. The Pool’s obligations for net assets attributable to holders of redeemable securities are presented at their redemption amounts. All other financial assets and liabilities are classified as other receivables and payables and are measured at amortized cost.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

(ii) Recognition, derecognition and measurement

The Pool recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases and sales of investments are recognized on the trade date, which is the date on which the Pool commits to purchase or sell the investment.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs related to financial instruments are expensed as incurred on the Statements of Comprehensive Income (Loss).

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Pool has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

After initial measurement, the Pool measures financial instruments that are classified as FVTPL, at fair value. Gains and losses arising from changes in the fair value of the financial instruments classified as FVTPL are presented in the Statements of Comprehensive Income (Loss). Interest for distribution purposes and dividends earned on financial assets are recorded separately in the Statements of Comprehensive Income (Loss). Interest for distribution purposes is recognized as income at the debt instrument's coupon rates of interest on an accrual basis. Dividends are recognized as income on the ex-dividend date.

Other receivables and payables are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, where appropriate, at the effective rate of interest.

The value of investments in the Pool's portfolio can fluctuate on a daily basis as a result of changes in interest rates, market and economic conditions and factors specific to individual securities within the Pool. The level of risk depends on the Pool's investment objectives and the type of securities in which it invests. See the "Fund Specific Notes" for consideration of the financial instrument risks inherent in the financial instruments held by the Pool.

(e) Valuation of investments

Fair value is the price at which an orderly transaction to sell an asset or paid to transfer a liability would take place between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Pool uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Pool uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other techniques commonly used by market participants and which make the maximum use of observable inputs.

The fair value of investments as at the financial reporting date is determined as follows:

i) Equities and exchange-traded funds

Each listed investment security is valued at the latest close price reported by the principal securities exchange on which the investment is traded. Securities that are traded over-the-counter are priced at the close price quoted by a major dealer in such securities.

ii) Investments in underlying investment funds

Investments in underlying investment funds are valued at the closing net asset value per security ("NAVPS") of the units owned as calculated by the administrator of the underlying investment funds at the valuation date.

iii) Unlisted warrants

Unlisted warrants are valued based on a pricing model that considers factors such as the market value of the underlying security, strike price, volatility and terms of the warrant.

iv) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a pre-determined price. The seller (writer) receives a premium from the purchaser in consideration for the assumption of a market price risk.

Purchased options that are exchange traded are valued at the latest close price reported by the principal securities exchange on which the investment is traded; any purchased options that are over-the-counter are valued at the close price as quoted by a major dealer. The premium paid for purchased options is included in the average costs on the Schedule of Investment Portfolio. When a purchased option expires without being exercised, the premium paid will be treated as a loss and included in the Statements of Comprehensive Income (Loss) as "Net realized gains (losses) on sale of investments and derivatives". If the purchased option is exercised, the Pool will realize a gain or loss depending on whether the proceeds are greater or less than the premium paid at the time of purchase. When a purchased option is exercised, the cost of the underlying security purchased is increased by the premium paid at the time of purchase.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

As long as the options are outstanding at period end, written option premiums received by the Pool are reflected in the Statements of Financial Position as "Written Options". The liability for written options gets revalued at an amount equal to the current fair value of an option that would have the effect of closing the position. Written options that are exchange traded are valued at the latest close price reported by the principal securities exchange on which the investment was traded; any written options that are over-the-counter are valued at the ask price as quoted by a major dealer. If the option expires without being exercised, the premium received will be treated as a gain and will be included in the Statements of Comprehensive Income (Loss) as "Net realized gains (losses) on sale of investments and derivatives". If the option is exercised, in the case of a call option, the premium received will be added to the proceeds of disposition of the underlying security and included in the Statements of Comprehensive Income (Loss) as "Net realized gains (losses) on sale of investments and derivatives". If the option is exercised, in the case of a put option, the cost of the underlying security will be reduced by the amount of premium received and included in the Schedule of Investment Portfolio.

v) Bonds

Bonds are valued based on the latest close prices obtained from recognized independent brokers.

The difference between the total fair value and the total cost of securities in i) to v) is included in the "Change in unrealized appreciation (depreciation) of investments and derivatives" on the Statements of Comprehensive Income (Loss).

vi) Short-term investments

Short-term investments are accounted for at amortized cost, which generally approximates fair value.

vii) Forward currency contracts

A forward currency contract is an agreement between two parties (the Pool and the counterparty) to purchase or sell a currency against another currency at a set price on a future date.

Open forward currency contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date. The unrealized gain or loss on forward currency contracts is reflected in the Statements of Financial Position as "Unrealized gain on forward currency contracts" or "Unrealized loss on forward currency contracts". The change in unrealized gains or losses for the period is reflected in the Statements of Comprehensive Income (Loss) as "Change in unrealized appreciation (depreciation) of investments and derivatives". The realized gain or loss on forward currency contracts arises as a result of closing the position on settlement date. The realized gains or losses are reflected in the Statements of Comprehensive Income (Loss) as "Net realized gains (losses) on sale of investments and derivatives".

viii) Futures contracts

Futures contracts are valued at the gain or loss that would be realized upon closure of the contract. The values for such contracts fluctuate and are best determined at the settlement price established each day by the board of trade or exchange on which the contracts are traded.

Margin accounts represent margin deposits held with brokers in respect of open futures contracts. Any change in the variation margin requirement is settled daily. Margin paid or deposited in respect of futures contracts is reflected as a receivable at fair value in the Statements of Financial Position.

ix) Other investments

The value of any security for which, in the opinion of the Investment Manager, the published market quotations are not readily available shall be the fair value as determined by the Investment Manager in accordance with IFRS 13, Fair Value Measurement ("IFRS 13") methodologies. The fair values of certain securities are determined using valuation models that are based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers, significant market or security-specific events, and/or other analytical data relating to the investment and using other available indication of value. The fair values of such securities are also affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities may be materially different from the values that would be used had a ready market for the security existed. The frequency with which these procedures are used is unpredictable and may be utilized to a significant extent. The value of securities used for net asset value ("NAV") calculations under fair value pricing may differ from published prices for the same securities.

(f) Cost of investments

The cost of investments represents the amount paid for each security, excluding transaction costs, and is determined on an average cost basis.

(g) Cash and cash equivalents

Cash is comprised of cash on deposit with financial institutions and bank overdrafts. Cash equivalents are comprised of highly liquid investments having terms to maturity of 90 days or less.

(h) Foreign currency translation

The reporting currency for the Pool is the Canadian dollar, which is also the functional currency given the Pool is domiciled in Canada, with subscriptions and redemptions, as well as performance returns, denominated in Canadian dollars.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Foreign currency transactions are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions. Realized foreign currency gains or losses on investments are included in the Statements of Comprehensive Income (Loss) in “Net realized gains (losses) on sale of investments and derivatives”. Unrealized foreign currency gains or losses on investments are included in the Statements of Comprehensive Income (Loss) in “Change in unrealized appreciation (depreciation) of investments and derivatives”. Realized and unrealized exchange gains or losses on assets, liabilities and investment income denominated in foreign currencies are included in “Foreign exchange gains (losses) on cash” in the Statements of Comprehensive Income (Loss).

Foreign currency assets and liabilities are translated into Canadian dollars at the prevailing exchange rate at the measurement date.

(i) Securities valuation

The series of securities of the Pool are offered for sale on a continuous basis and may be purchased or redeemed on any business day at the NAVPS. A business day is any day the Toronto Stock Exchange (“TSX”) is open for trading. A valuation date is each business day at the close of trading (4 P.M. Toronto time). The NAV of each series of the Pool is the value of the series’ proportionate share of the assets of the Pool less proportionate share of common liabilities and specifically allocated liabilities. The NAVPS of a series of securities of the Pool is calculated by dividing the NAV of the series of the Pool by the total number of securities outstanding in that series.

(j) Increase (decrease) in net assets attributable to holders of redeemable securities per security

“Increase (decrease) in net assets attributable to holders of redeemable securities per security” is disclosed in the Statements of Comprehensive Income (Loss) and represents, for each series of securities, the increase or decrease in net assets for the period attributable to that series divided by the weighted average number of securities of the series outstanding during the period, which is disclosed in the Pool’s “Fund Specific Notes”.

(k) Use of judgments

Classification and measurement of financial instruments

In classifying and measuring financial instruments held by the Pool, SAM is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. SAM has assessed the Pool’s business model, the manner in which all financial assets and liabilities are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Pool’s financial assets and financial liabilities.

3. REDEEMABLE SECURITIES

Securities issued and outstanding in the Pool represent the redeemable securities of the Pool. Redeemable securities are issued and redeemed at the then current NAVPS at the option of the securityholder. Securityholders are entitled to dividends when declared. Dividends on securities are reinvested in additional securities or at the option of the securityholders, paid in cash, or both. The Pool’s redeemable securities are classified as financial liabilities due to its ongoing obligation to pay redemptions at the securityholders’ request and also distribute taxable Canadian dividends annually.

The Statements of Changes in Net Assets Attributable to Holders of Redeemable Securities identify changes in the Pool’s capital during the period. The capital of the Pool is managed in accordance with the Pool’s investment objectives, including managing the liquidity in order to be able to meet redemptions as discussed in the Fund Specific Notes.

4. EXPENSES

Management fees

The Manager is paid a management fee for managing the Pool’s overall business and day-to-day operational services. The Pool pays a management fee, calculated daily and paid monthly, of 0.48% plus applicable taxes per annum of the Pool’s NAV. There is no duplication of fees if the Pool invests in an Underlying Stone Fund.

Performance fees

As compensation for providing services as portfolio manager of the Pool, a performance fee may be payable to SAM. The Performance Fee is based on the performance of the Series A securities from the last time a Performance Fee was payable for the Series A securities to the next calendar year at which a Performance Fee is payable (the “Performance Measurement Period”) in respect of the Series A securities. Where a Performance Fee has not previously been paid by the Pool, the Performance Measurement Period commences on the first date of issuance of the particular Series. If a Performance Fee is payable at the end of a calendar year, the Performance Measurement Period ends at such year-end. If a Performance Fee is not payable at the end of a calendar year, the Performance Measurement Period is extended until the next calendar year at which a Performance Fee is payable.

The Performance Fee is equal to 10% of the amount of positive performance of the Series A securities calculated from the last time a Performance Fee was paid by the Pool with respect to the Series A securities over the Performance Measurement Period, multiplied by the Series A securities average NAV over the Performance Measurement Period.

Performance Fees, if any, for a series will be paid directly to SAM by the Corporation from the Pool. Performance Fees for a series are payable at the end of each calendar year. Performance Fees are subject to applicable taxes.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Operating fees

The Pool pays operating fees (the "Operating Fees") to SAM for the day-to-day operational services. The Operating Fees include, but are not limited to, legal and audit fees, transfer agency costs, custodian costs, filing fees, and administrative and overhead costs charged by SAM.

At its sole discretion, the Manager may waive or absorb expenses otherwise payable by the Pool. The amount of waivers and absorptions can fluctuate from time to time and may be terminated at any time. Amounts absorbed or waived are reported in the Statements of Comprehensive Income (Loss).

5. SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research goods and services and order execution goods and services provided to the investment manager. The value of such research services included in commissions paid to brokers for the period ended December 31, 2019 amounted to \$1 (2018 – \$1).

6. TAXATION

The Corporation's revenue, expenses, capital gains and capital losses in connection with its investment portfolio and other items relevant to the Corporation are considered when determining the income or loss of the Corporation as whole.

The Corporation is subject to additional refundable tax under Part I of the Income Tax Act (Canada) (the "Act") on its investment income. Also, the Corporation is subject to a tax of 38 1/3% under Part IV of the Act on the amount of taxable dividends received from taxable Canadian corporations in the year. The additional refundable Part I tax and Part IV tax is fully refundable upon payment of sufficient dividends.

Withholding taxes imposed by certain countries on investment income and capital gains are recorded as a separate expense item on the Statements of Comprehensive Income (Loss).

As at December 31, 2019 and 2018, the major components of income taxes recorded in the Statements of Comprehensive Income (Loss) are:

	2019	2018
Current income tax expense (recovery)	\$ -	\$ -
Deferred income tax expense (recovery)	248	(20)
Total income tax expense (recovery)	\$ 248	\$ (20)

The Corporation's income taxes from continuing operations differ from the amount that would be computed by applying the combined Canadian federal and provincial statutory income tax rates as a result of the following:

	2019	2018
Anticipated income taxes based on combined Canadian federal and provincial statutory income tax rate of 26.5%	\$ 392	\$ 2
Non-taxable dividends from Canadian corporations	(42)	(43)
Non-taxable portion of realized and unrealized capital (gains)/losses	(204)	21
Higher tax rate on investment income	131	-
Other	(29)	-
Total income taxes	\$ 248	\$ (20)

Significant components of the Pool's deferred tax assets and liabilities are as follows:

	2019	2018
Deferred tax assets:		
Management and performance fees	\$ 95	\$ 1
Net capital loss carryforwards	28	2
Non-capital loss carryforwards	67	47
Total deferred tax assets	190	50
Deferred tax liabilities:		
Unrealized gains on investments	(526)	(139)
Dividends receivable	(6)	(5)
Total deferred tax liabilities	(532)	(144)
Net deferred tax asset (liability)	(342)	(94)

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

Deferred tax assets arise from available income tax loss carryforwards from prior years and future income tax deductions. Deferred tax assets are recognized to the extent that it is probable that the asset can be recovered.

The Corporation's non-capital loss carryforwards are \$134. The Corporation's non-capital loss carryforwards expire in the following years: 2036 - \$34; 2037 - \$50; 2038 - \$9; and 2039 - \$41. The capital loss carryforwards are \$112.

7. RELATED PARTY TRANSACTIONS

(a) Management fees including HST

SAM provides investment management services to the Pool and is remunerated based on the NAV of Pool's securities. The fees are accrued daily and paid monthly to SAM.

	Management fees paid for the period ended December 31, 2019	Management fees paid for the period ended December 31, 2018	Management fees payable as at December 31, 2019	Management fees payable as at December 31, 2018
Stone GaleForce Dividend Growth Pool	\$ 38	\$ 65	\$ 14	\$ -

(b) Operating fees including HST

SAM provides fund operations and administration services for the Pool. SAM is paid operating fees to cover third party fund expenses and SAM's fund administration costs. The fees are accrued daily and paid monthly to SAM.

	Operating fees paid for the period ended December 31, 2019	Operating fees paid for the period ended December 31, 2018	Operating fees payable as at December 31, 2019	Operating fees payable as at December 31, 2018
Stone GaleForce Dividend Growth Pool	\$ 13	\$ 23	\$ 4	\$ -

(c) Performance fees including HST

See Note 4

	Performance fees paid for the period ended December 31, 2019	Performance fees paid for the period ended December 31, 2018	Performance fees payable as at December 31, 2019	Performance fees payable as at December 31, 2018
Stone GaleForce Dividend Growth Pool	\$ 5	\$ 70	\$ 172	\$ 5

(d) Manager holdings

As at December 31, 2019, the Manager's executive staff held securities of the Pool with a fair value of \$86 (2018 - \$73).

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STONE GALEFORCE DIVIDEND GROWTH POOL

2019 Annual Audited Financial Statements

For the periods ended December 31, 2019 and 2018

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to: market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Pool may invest and the risks detailed from time to time in the Pool's offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Pool, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Pool does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.



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