

STONE GALEFORCE DIVIDEND GROWTH POOL
A Class of Special Securities of Stone GaleForce Investment Corporation

Interim Financial Report
June 30, 2018



The auditors of the Pool have not performed a review of these financial statements.

STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF FINANCIAL POSITION

AS AT

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
<small>(in thousands of dollars; per security amounts are expressed in whole dollars)</small>			
Assets			
Current assets			
Investments (Note 2)	\$	8,876	\$ 8,929
Cash		1,524	1,553
Dividends receivable		23	22
Subscriptions receivable		1	2
Purchased options (Note 2)		-	1
		10,424	10,507
Liabilities			
Current liabilities			
Redemption payable		38	364
Deferred income tax (Note 6)		142	115
Accounts payable and accrued expenses (Note 7)		60	88
Written options (Note 2)		-	2
		240	569
Net assets attributable to holders of redeemable securities (Note 3)	\$	10,184	\$ 9,938
Net assets attributable to holders of redeemable securities per security	\$	13.43	\$ 12.95

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) (UNAUDITED)

FOR THE PERIODS ENDED JUNE 30 (Note 1)

(in thousands of dollars; per security amounts are expressed in whole dollars)	2018	2017
Income		
Net gains (losses) on investments and derivatives (Note 2):		
Dividends	\$ 113	\$ 132
Interest for distribution purposes	-	22
Net realized gains (losses) on sale of investments and derivatives	182	325
Change in unrealized appreciation (depreciation) of investments and derivatives	255	(299)
Net gains (losses) on investments and derivatives	550	180
Foreign exchange gains (losses) on cash	16	8
Total income (loss)	566	188
Expenses (Note 4)		
Management fees (Note 8)	25	28
Securityholder reporting costs	15	15
Transfer agency fees	3	3
Custodian fees	3	4
Audit fees	7	8
Legal fees	2	1
Performance fees	43	19
Transaction costs	4	14
Foreign withholding taxes	6	6
Total expenses	108	98
Expenses waived/absorbed by the Manager	(21)	(21)
Total expenses (net)	87	77
Increase (decrease) in net assets attributable to holders of redeemable securities before income taxes	\$ 479	\$ 111
Current income tax (expense) recovery (Note 6)	27	21
Deferred income tax (expense) recovery (Note 6)	-	-
Increase (decrease) in net assets attributable to holders of redeemable securities	\$ 452	\$ 90
Increase (decrease) in net assets attributable to holders of redeemable securities per security	\$ 0.60	\$ 0.10



STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (UNAUDITED)

FOR THE PERIODS ENDED JUNE 30 (Note 1)

(in thousands)	2018	2017
Net assets attributable to holders of redeemable securities, beginning of period	\$ 9,938	\$ 10,998
Increase (decrease) in net assets attributable to holders of redeemable securities	452	90
Redeemable securityholder transactions		
Proceeds from issue of redeemable securities	4,051	859
Reinvestment of dividends to holders of redeemable securities	75	86
Redemption of redeemable securities	(4,241)	(1,349)
Net securityholder transactions	(115)	(404)
Dividends to securityholders of redeemable securities		
Dividends	(91)	(104)
Capital gains dividends	-	-
Return of capital	-	-
Total dividends to securityholders of redeemable securities	(91)	(104)
Net assets attributable to holders of redeemable securities, end of period	\$ 10,184	\$ 10,580
Securities issued and outstanding		
Securities, beginning of period	767	883
Securities issued for cash	311	69
Securities issued on reinvestment of dividends	6	7
Securities redeemed	(326)	(108)
Securities, end of period	758	851



STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE PERIODS ENDED JUNE 30 (Note 1)

(in thousands)	2018	2017
Cash flows used in operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable securities	\$ 452	\$ 90
Adjustments for:		
Foreign exchange losses (gains) on cash	(11)	9
Net realized losses (gains) on sale of investments and derivatives	(182)	(325)
Change in unrealized depreciation (appreciation) of investments and derivatives	(255)	299
Purchases of investments and derivatives	(966)	(3,762)
Proceeds from sale and/or maturity of investments and derivatives	1,455	4,334
Dividends receivable	(1)	(3)
Deferred income tax	27	21
Accounts payable and accrued expenses	(28)	(65)
Payable for investments purchased	-	204
Net cash from operating activities	491	802
Cash flows from financing activities:		
Proceeds from issue of redeemable securities	4,052	858
Amount paid on redemptions of redeemable securities	(4,567)	(1,153)
Dividends paid to holders of redeemable securities, net of reinvested dividends	(16)	(15)
Net cash from financing activities	(531)	(310)
Foreign exchange gains (losses) on cash	11	(9)
Net increase (decrease) in cash and cash equivalents during the period	(40)	492
Cash and cash equivalents, beginning of period	1,553	375
Cash and cash equivalents, end of period	\$ 1,524	\$ 858
Supplemental disclosure of cash flow information*:		
Interest received	\$ -	\$ 22
Dividends received, net of foreign withholding taxes	106	123
Cash and cash equivalents are comprised of:		
Cash	\$ 1,524	\$ 858
	\$ 1,524	\$ 858

* Included as part of cash flows from operating activities.

STONE GALEFORCE DIVIDEND GROWTH POOL

SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)

AS AT JUNE 30, 2018

Number of Shares or Par Value	Security	Average Cost (000s)	Carrying Value (000s)	%
Consumer Discretionary (1.1%)				
4,500	Park Lawn Corp.	\$ 75	\$ 110	
		75	110	1.1%
Consumer Staples (5.3%)				
1,900	Coca-Cola Co.	92	110	
800	Costco Wholesale Corp.	156	220	
8,000	Jamieson Wellness Inc.	140	213	
		388	543	5.3%
Energy (10.3%)				
6,000	AltaGas Ltd., Subscription Receipt	169	163	
4,300	Canadian Natural Resources Ltd.	200	204	
10,900	Enerplus Corp.	138	180	
1,600	Pembina Pipeline Corp.	68	73	
4,300	Suncor Energy Inc.	204	230	
13,200	TORC Oil & Gas Ltd.	102	97	
10,900	Whitecap Resources Inc.	101	97	
		982	1,044	10.3%
Financial Services (33.8%)				
7,000	Bank of America Corp.	197	259	
8,891	Bank of Montreal, Preferred, Class 'B', Series '25', Variable Rate, Perpetual	174	206	
6,500	Bank of Nova Scotia	466	484	
1,269	Bank of Nova Scotia, Series '30', Callable	24	30	
7,026	Bank of Nova Scotia, Series '32', Variable Rate, Perpetual	137	163	
6,500	Brookfield Asset Management Inc., Class 'A'	261	347	
2,000	Canadian Imperial Bank of Commerce	228	229	
5,000	Decisive Dividend Corp.	20	20	
1,800	JPMorgan Chase & Co.	195	247	
8,000	Power Financial Corp.	270	246	
6,500	Royal Bank of Canada	572	643	
7,500	Toronto-Dominion Bank	449	571	
		2,993	3,445	33.8%
Health Care (8.4%)				
3,100	Abbott Laboratories	169	248	
400	Becton	83	126	
600	Johnson & Johnson	72	96	
1,714	Pfizer Inc.	73	82	
1,368	Stryker Corp.	200	304	
		597	856	8.4%
Industrials (11.1%)				
1,900	Cargojet Inc.	87	122	
1,400	Jacobs Engineering Group Inc.	116	117	
2,500	SNC-Lavalin Group Inc.	131	145	
7,000	TFI International Inc.	201	284	
4,000	Transcontinental Inc., Class 'A'	60	122	
800	Union Pacific Corp.	101	149	
1,900	Waste Connections Inc.	156	188	
		852	1,127	11.1%

STONE GALEFORCE DIVIDEND GROWTH POOL

SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)

AS AT JUNE 30, 2018 (continued)

Number of Shares or Par Value	Security	Average Cost (000s)	Carrying Value (000s)	%
Information Technology (9.7%)				
1,000	Fidelity National Information Services Inc.	88	140	
2,500	Microsoft Corp.	203	324	
2,500	Open Text Corp.	100	116	
2,500	Oracle Corp.	126	145	
1,500	Visa Inc., Class 'A'	184	261	
		701	986	9.7%
Materials (2.2%)				
1,800	CCL Industries Inc., Class 'B'	84	116	
600	Ecolab Inc.	75	111	
		159	227	2.2%
Utilities (5.3%)				
15,000	AES Corp.	224	264	
4,300	Boralex Inc., Class 'A'	91	90	
2,000	Brookfield Infrastructure Partners L.P.	100	101	
3,400	Pattern Energy Group Inc., Class 'A'	91	83	
		506	538	5.3%
	Transaction Costs	(12)		
	Total Investment Portfolio	\$ 7,241	\$ 8,876	87.2%
	Cash & Other Net Assets (Liabilities) (12.8%)		1,308	12.8%
	Total Net Assets (100.0%)	\$	\$ 10,184	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 (UNAUDITED)

AS AT JUNE 30, 2018 AND DECEMBER 31, 2017

(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 June 30, 2018, with all other factors remaining constant, net assets would have increased or decreased by approximately \$403 (December 31, 2017 – \$396). 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.

June 30, 2018					
Currency	Investments	Cash	Total	% of net assets	Impact on net assets
U.S. Dollar	3,203	315	3,518	34.5	176

December 31, 2017					
Currency	Investments	Cash	Total	% of net assets	Impact on net assets
U.S. Dollar	2,801	344	3,145	31.6	157

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 June 30, 2018 and December 31, 2017, the Pool did not have significant exposure to interest rate risk.

STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES (UNAUDITED) (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 June 30, 2018 and December 31, 2017, the Pool did not hold any illiquid securities.

As at June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, 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 June 30 and December 31:

Sector	2018	2017
Consumer Discretionary	1.1	1.0
Consumer Staples	5.3	4.8
Energy	10.3	4.2
Financial Services	33.8	35.3
Health Care	8.4	8.2
Industrials	11.1	15.3
Information Technology	9.7	8.7
Materials	2.2	4.1
Real Estate	-	1.0
Utilities	5.3	7.3
Written Options*	-	-
Purchased Options*	-	-
Cash & Other Net Assets (Liabilities)	12.8	10.1
Total net assets	100.0	100.0

* Less than 0.05%

STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES (UNAUDITED) (continued)

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 June 30, 2018 and December 31, 2017. There were no transfers between Level 1 and Level 2.

June 30, 2018	Level 1		Level 2		Level 3		Total
Equities	\$	8,876	\$	-	\$	-	\$ 8,876
Total Investment Portfolio	\$	8,876	\$	-	\$	-	\$ 8,876

December 31, 2017	Level 1		Level 2		Level 3		Total
Equities	\$	8,929	\$	-	\$	-	\$ 8,929
Total Investment Portfolio	\$	8,929	\$	-	\$	-	\$ 8,929
Purchased Options	\$	1	\$	-	\$	-	\$ 1
Written Options	\$	(2)	\$	-	\$	-	\$ (2)

Weighted average number of securities

For the period ended June 30, 2018, the weighted average number of securities outstanding was 765 (2017 – 875)

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, 2017 and 2016. 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 (effective May 14, 2018, the Pool’s transfer agent is CIBC Mellon Global Securities Services Company) and the Pool’s administrator is Stone Investment Group Limited.

The Schedule of Investment Portfolio is as at June 30, 2018. The Statements of Financial Position are as at June 30, 2018 and December 31, 2017. The Statements of Comprehensive Income (Loss), Changes in Net Assets Attributable to Holders of Redeemable Securities, and Cash Flows are for the six month periods ended June 30, 2018 and 2017. 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 August 27, 2018.

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”).

Effective January 1, 2018, the Pool adopted IFRS 9 Financial Instruments (IFRS 9). The new standard requires assets to be carried at amortized cost, fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entities’ business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Assessment and decision on the business model approach used is an accounting judgement.

The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entities’ own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Pool’s financial assets and financial liabilities previously classified as FVTPL under IAS 39 continued to be categorized as FVTPL. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

(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.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

(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 measure financial instruments in accordance with IFRS 9. Upon initial recognition, financial assets and financial liabilities are classified as FVTPL.

Receivables are non-derivative financial assets that include interest, dividends, investments sold, and subscriptions.

Other financial liabilities include payable for investments purchased, redemptions payable, accounts payable, and accrued expenses and dividends and distributions payable.

(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 classified as FVTPL 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.

Loans and receivables are carried at amortized cost. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired.

Financial liabilities, other than those classified as FVTPL referred to here as "other financial liabilities", are measured at amortized cost. Gains and losses are recognized in profit or loss when the liabilities related to financial instruments are derecognized.

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.

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.

Additional quantitative disclosures are required for Level 3 securities. These are shown in the Pool's "Fund Specific Notes".

(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.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 fair value, which generally approximates amortized cost.

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".

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 June 30, 2018 amounted to \$nil (2017 – \$2).

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

The taxable portion of net capital gains realized by the Corporation is subject to tax at normal corporate rates.

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, 2017 and 2016, the major components of income taxes recorded in the Statements of Comprehensive Income (Loss) are:

	2017	2016
Current income tax expense (recovery)	\$ -	\$ -
Deferred income tax expense (recovery)	48	67
Total income tax expense (recovery)	\$ 48	\$ 67

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:

	2017	2016
Anticipated income taxes based on combined Canadian federal and provincial statutory income tax rate of 26.5%	\$ 170	\$ 285
Non-taxable dividends from Canadian corporations	(51)	(49)
Non-taxable portion of realized and unrealized capital (gains)/losses	(71)	(131)
Deferred tax asset not recognized	-	(38)
Total income taxes	\$ 48	\$ 67

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

	2017	2016
Deferred tax assets:		
Management and performance fees	\$ 23	\$ 27
Net capital loss carryforwards	22	60
Non-capital loss carryforwards	27	3
Total deferred tax assets	72	90
Deferred tax liabilities:		
Unrealized gains on investments	(180)	(150)
Dividends receivable	(6)	(7)
Accrued expenses	(1)	-
Total deferred tax liabilities	(187)	(157)
Net deferred tax asset (liability)	(115)	(67)

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.

As at December 31, 2017, the Corporation's non-capital loss carryforwards are \$101 and the capital loss carryforwards are \$165.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 June 30, 2018	Management fees paid for the period ended June 30, 2017	Management fees payable as at June 30, 2018	Management fees payable as at December 31, 2017
Stone GaleForce Dividend Growth Pool	\$ 26	\$ 28	\$ 13	\$ 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 June 30, 2018	Operating fees paid for the period ended June 30, 2017	Operating fees payable as at June 30, 2018	Operating fees payable as at December 31, 2017
Stone GaleForce Dividend Growth Pool	\$ 10	\$ 31	\$ 4	\$ 5

(c) Performance fees including HST

See Note 4

	Performance fees paid for the period ended June 30, 2018	Performance fees paid for the period ended June 30, 2018	Performance fees payable as at June 30, 2018	Performance fees payable as at December 31, 2017
Stone GaleForce Dividend Growth Pool	\$ 70	\$ 84	\$ 43	\$ 70

(d) Manager holdings

As at June 30 2018, the Manager's executive staff held securities of the Pool with a fair value of \$77 (December 31, 2017 - \$68)

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STONE GALEFORCE DIVIDEND GROWTH POOL

Interim Financial Report

June 30, 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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