

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

2017 Annual Audited Financial Statements
For the periods ended December 31, 2017 and 2016

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

March 28, 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Pool, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable securities and cash flows for the periods then ended as indicated in note 1 to the accompanying financial statements, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Pool's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pool as at December 31, 2017 and 2016, and its financial performance and cash flows for the periods then ended as indicated in note 1 to the accompanying financial statements in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada

March 28, 2018

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, 2017		December 31, 2016	
Assets				
Current assets				
Investments (Note 2)	\$	8,929	\$	10,765
Cash		1,553		375
Dividends receivable		22		27
Subscriptions receivable		2		1
Purchased options (Note 2)		1		-
		10,507		11,168
Liabilities				
Current liabilities				
Redemption payable		364		-
Deferred income tax (Note 6)		115		67
Accounts payable and accrued expenses (Note 7)		88		103
Written options (Note 2)		2		-
		569		170
Net assets attributable to holders of redeemable securities (Note 3)	\$	9,938	\$	10,998
Net assets attributable to holders of redeemable securities per security	\$	12.95	\$	12.46

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)	2017	2016
Income		
Net gains (losses) on investments and derivatives (Note 2):		
Dividends	\$ 267	\$ 263
Interest for distribution purposes	23	8
Net realized gains (losses) on sale of investments and derivatives	288	(74)
Change in unrealized appreciation (depreciation) of investments and derivatives	246	1,133
Net gains (losses) on investments and derivatives	824	1,330
Foreign exchange gains (losses) on cash	(6)	(68)
Total income (loss)	818	1,262
Expenses (Note 4)		
Management fees (Note 8)	54	49
Securityholder reporting costs	37	37
Custodian fees	9	15
Audit fees	11	11
Legal fees	1	3
Performance fees	70	84
Transaction costs	24	20
Foreign withholding taxes	11	10
Total expenses	217	229
Expenses waived/absorbed by the Manager	(39)	(48)
Total expenses (net)	178	181
Increase (decrease) in net assets attributable to holders of redeemable securities before income taxes	\$ 640	\$ 1,081
Current income tax (expense) recovery (Note 6)	-	-
Deferred income tax (expense) recovery (Note 6)	(48)	(67)
Increase (decrease) in net assets attributable to holders of redeemable securities	\$ 592	\$ 1,014
Increase (decrease) in net assets attributable to holders of redeemable securities per security	\$ 0.70	\$ 1.24



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)	2017	2016
Net assets attributable to holders of redeemable securities, beginning of period	\$ 10,998	\$ 8,759
Increase (decrease) in net assets attributable to holders of redeemable securities	592	1,014
Redeemable securityholder transactions		
Proceeds from issue of redeemable securities	1,400	6,036
Reinvestment of dividends to holders of redeemable securities	167	166
Redemption of redeemable securities	(3,018)	(4,782)
Net securityholder transactions	(1,451)	1,420
Dividends to securityholders of redeemable securities		
Dividends	(172)	(195)
Capital gains dividends	-	-
Return of capital	(29)	-
Total dividends to securityholders of redeemable securities	(201)	(195)
Net assets attributable to holders of redeemable securities, end of period	\$ 9,938	\$ 10,998
Securities issued and outstanding		
Securities, beginning of period	883	762
Securities issued for cash	111	518
Securities issued on reinvestment of dividends	13	14
Securities redeemed	(240)	(411)
Securities, end of period	767	883



STONE GALEFORCE DIVIDEND GROWTH POOL

STATEMENTS OF CASH FLOWS

FOR THE PERIODS ENDED DECEMBER 31 (Note 1)

(in thousands)	2017	2016
Cash flows used in operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable securities	\$ 592	\$ 1,014
Adjustments for:		
Foreign exchange losses (gains) on cash	6	-
Net realized losses (gains) on sale of investments and derivatives	(288)	74
Change in unrealized depreciation (appreciation) of investments and derivatives	(246)	(1,133)
Purchases of investments and derivatives	(6,586)	(6,879)
Proceeds from sale and/or maturity of investments and derivatives	8,957	5,382
Dividends receivable	5	(2)
Accrued income tax	-	(6)
Deferred income tax	48	67
Accounts payable and accrued expenses	(15)	91
Payable for investments purchased	-	-
Net cash from operating activities	2,473	(1,392)
Cash flows from financing activities:		
Proceeds from issue of redeemable securities	1,399	6,037
Amount paid on redemptions of redeemable securities	(2,654)	(4,932)
Dividends paid to holders of redeemable securities, net of reinvested dividends	(34)	(29)
Net cash from financing activities	(1,289)	1,076
Foreign exchange gains (losses) on cash	(6)	-
Net increase (decrease) in cash and cash equivalents during the period	1,184	(316)
Cash and cash equivalents, beginning of period	375	691
Cash and cash equivalents, end of period	\$ 1,553	\$ 375
Supplemental disclosure of cash flow information*:		
Interest received	\$ 23	\$ 8
Dividends received, net of foreign withholding taxes	261	246
Cash and cash equivalents are comprised of:		
Cash	\$ 1,553	\$ 375
	1,553	375

* Included as part of cash flows from operating activities.



STONE GALEFORCE DIVIDEND GROWTH POOL

SCHEDULE OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2017

Number of Shares or Par Value	Security	Average Cost (000s)	Carrying Value (000s)	%
Consumer Discretionary (1.0%)				
4,500	Park Lawn Corp.	\$ 75	\$ 103	
		75	103	1.0%
Consumer Staples (4.8%)				
1,900	Coca-Cola Co.	92	109	
800	Costco Wholesale Corp.	156	187	
8,000	Jamieson Wellness Inc.	140	178	
		388	474	4.8%
Energy (4.2%)				
6,000	AltaGas Ltd.	183	172	
6,000	AltaGas Ltd., Subscription Receipt	169	170	
1,600	Pembina Pipeline Corp.	68	73	
		420	415	4.2%
Financial Services (35.3%)				
7,000	Bank of America Corp.	197	259	
8,891	Bank of Montreal, Preferred, Class 'B', Series '25', Variable Rate, Callable, Perpetual	174	202	
6,500	Bank of Nova Scotia	466	527	
1,269	Bank of Nova Scotia, Series '30', Callable	24	30	
7,026	Bank of Nova Scotia, Series '32', Variable Rate, Callable, Perpetual	137	162	
6,500	Brookfield Asset Management Inc., Class 'A'	260	356	
2,000	Canadian Imperial Bank of Commerce	228	245	
1,800	JPMorgan Chase & Co.	195	241	
8,000	Power Financial Corp.	270	276	
6,500	Royal Bank of Canada	572	667	
7,500	Toronto-Dominion Bank	449	553	
		2,972	3,518	35.3%
Health Care (8.2%)				
3,100	Abbott Laboratories	169	222	
400	Becton	83	107	
600	Johnson & Johnson	72	105	
1,368	Stryker Corp.	200	266	
1,300	Zoetis Inc.	58	117	
		582	817	8.2%
Industrials (15.3%)				
2,000	Canadian National Railway Co.	209	207	
700	Canadian Pacific Railway Ltd.	125	161	
1,900	Cargojet Inc.	87	111	
2,700	Maxar Technologies Ltd.	185	219	
2,500	SNC-Lavalin Group Inc.	131	143	
7,000	TFI International Inc.	201	230	
6,000	Transcontinental Inc., Class 'A'	89	149	
800	Union Pacific Corp.	101	134	
1,900	Waste Connections Inc.	156	169	
		1,284	1,523	15.3%
Information Technology (8.7%)				
1,000	Fidelity National Information Services Inc.	88	118	
2,500	Microsoft Corp.	203	268	
2,500	Open Text Corp.	100	112	
2,500	Oracle Corp.	126	148	
1,500	Visa Inc., Class 'A'	185	214	
		702	860	8.7%



STONE GALEFORCE DIVIDEND GROWTH POOL

SCHEDULE OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2017 (continued)

Number of Shares or Par Value	Security	Average Cost (000s)	Carrying Value (000s)	%
Materials (4.1%)				
1,800	CCL Industries Inc., Class 'B'	84	105	
600	Ecolab Inc.	74	101	
6,000	Teck Resources Ltd., Class 'B'	171	197	
		329	403	4.1%
Real Estate (1.0%)				
12,613	Pure Multi-Family REIT L.P., Class 'A'	86	95	
		86	95	1.0%
Utilities (7.3%)				
15,000	AES Corp.	224	203	
4,300	Boralex Inc., Class 'A'	91	101	
2,000	Brookfield Infrastructure Partners L.P.	102	113	
4,600	Fortis Inc.	221	212	
3,400	Pattern Energy Group Inc., Class 'A'	91	92	
		729	721	7.3%
Transaction Costs		(12)		
Total Investment Portfolio		\$ 7,555	\$ 8,929	89.9%
Purchased Options (0.0%)			1	0.0%
Written Options (0.0%)			(2)	0.0%
Cash & Other Net Assets (Liabilities) (10.1%)			1,010	10.1%
Total Net Assets (100.0%)		\$	\$ 9,938	100.0%

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

Schedule of Purchased Options

Underlying Security	Option Type	Number of Options	Number of Shares	Expiration Date	Strike Price	Premium Paid (000s)	Current Value (000s)
Costco Wholesale Corp.	Put	8	800	2018/01/20	\$ 180 USD	\$ 2	\$ 1
						\$ 2	\$ 1

Schedule of Written Options

Underlying Security	Option Type	Number of Options	Number of Shares	Expiration Date	Strike Price	Premium Received (000s)	Current Value (000s)
Costco Wholesale Corp.	Call	(8)	(800)	2018/01/20	\$ 195 USD	\$(3)	-
Transcontinental Inc.	Call	(20)	(2,000)	2018/01/20	25 CAD	(4)	(1)
CCL Industries Inc.	Call	(18)	(1,800)	2018/01/20	60 CAD	(2)	-
Brookfield Infrastructure Partners L.P.	Call	(20)	(2,000)	2018/01/20	58 CAD	(1)	(1)
						\$(10)	\$(2)



STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES

AS AT DECEMBER 31, 2017 AND 2016

(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, 2017, with all other factors remaining constant, net assets would have increased or decreased by approximately \$396 (2016 – \$505). 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, 2017					
Currency	Investments	Cash	Total	% of net assets	Impact on net assets
U.S. Dollar	2,801	344	3,145	31.6	157

December 31, 2016					
Currency	Investments	Cash	Total	% of net assets	Impact on net assets
U.S. Dollar	4,228	49	4,277	38.9	214

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, 2017 and 2016, 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, 2017 and 2016, the Pool did not hold any illiquid securities.

As at December 31, 2017 and 2016, 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, 2017 and 2016, 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	2017	2016
Consumer Discretionary	1.0	1.9
Consumer Staples	4.8	2.3
Energy	4.2	10.7
Financial Services	35.3	33.2
Health Care	8.2	11.4
Industrials	15.3	14.1
Information Technology	8.7	11.3
Materials	4.1	10.1
Real Estate	1.0	1.9
Utilities	7.3	1.0
Written Options*	-	-
Purchased Options*	-	-
Cash & Other Net Assets (Liabilities)	10.1	2.1
Total net assets	100.0	100.0

* Less than 0.05%

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.

STONE GALEFORCE DIVIDEND GROWTH POOL

FUND SPECIFIC NOTES (continued)

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, 2017 and 2016. There were no transfers between Level 1 and Level 2.

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)

December 31, 2016	Level 1		Level 2		Level 3		Total
Equities	\$	10,765	\$	-	\$	-	10,765
Total Investment Portfolio	\$	10,765	\$	-	\$	-	10,765

Financial instruments by category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the periods ended December 31:

Category	2017		2016	
Financial assets (liabilities) at FVTPL				
HFT	\$	11	\$	9
Designated at inception		813		1,316
Total	\$	824	\$	1,325

Weighted average number of securities

For the period ended December 31, 2017, the weighted average number of securities outstanding was 845 (2016 – 819).

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 and the Pool’s administrator is Stone Investment Group Limited.

The Schedule of Investment Portfolio is as at December 31, 2017. The Statements of Financial Position are as at December 31, 2017 and 2016. 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, 2017 and 2016. 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 March 28, 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”).

As at December 31, 2017, the net asset value per security for transactional purposes differed from the net assets attributable to holders of redeemable securities per series for financial reporting. This is due to financial reporting requirements under IFRS to estimate the deferred income tax balance as of the financial reporting year end. The income tax provision calculation will vary depending on when the gains on investments are realized.

Series	Net asset value per security as at December 31, 2017 for transactional purposes	Adjustment to reflect income tax provision	Net assets attributable to holders of redeemable securities per security as at December 31, 2017
A	\$ 12.82	\$ 0.13	\$ 12.95

(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

The Pool classifies its financial assets and financial liabilities at initial recognition in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”), into the following categories:

- Financial assets and liabilities at fair value through profit and loss (“FVTPL”) – this category has two sub-categories:
 - Financial assets and liabilities held for trading (“HFT”): financial assets or financial liabilities are classified as HFT if they are acquired principally for the purpose of selling and/or repurchasing in the near term and there is evidence of recent actual pattern of short-term profit taking from price fluctuations. Derivatives are also classified as HFT. The Pool does not classify any derivatives as hedges in a hedging relationship.
 - Financial assets and liabilities designated as FVTPL at initial recognition: financial instruments that are not classified as HFT but are managed, and their performance, is evaluated on a fair value basis in accordance with the Pool’s documented investment strategy. The Pool classifies equities, debentures and other interest-bearing investments as financial assets and liabilities designated at FVTPL as the Pool’s policy requires the IFM and the Board of Directors of the IFM to evaluate the information about these financial assets on a fair value basis together with other related financial information to ensure the Pool is being managed in accordance with its documented investment strategy.
- Receivables are non-derivative financial assets that include interest, dividends, investments sold, subscriptions and HST refund receivables.
- Other financial liabilities – this category includes all financial liabilities, other than those classified as HFT. The Pool classifies payable for investments purchased, redemptions payable, accounts payable and accrued expenses and dividends payable as other financial liabilities.

(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”.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

(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.

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.

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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) 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 investments and application of the fair value option

In classifying and measuring financial instruments held by the Pool, SAM is required to make significant judgments about whether or not the business of the Pool is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgments made include the determination that certain investments are HFT and that the fair value option can be applied to those that are not.

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 December 31, 2017 amounted to \$2 (2016 – \$3).

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).

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

The Corporation's non-capital loss carryforwards are \$101 and the capital loss carryforwards are \$165.

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, 2017	Management fees paid for the period ended December 31, 2016	Management fees payable as at December 31, 2017	Management fees payable as at December 31, 2016
Stone GaleForce Dividend Growth Pool	\$ 54	\$ 47	\$ 14	\$ 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, 2017	Operating fees paid for the period ended December 31, 2016	Operating fees payable as at December 31, 2017	Operating fees payable as at December 31, 2016
Stone GaleForce Dividend Growth Pool	\$ 19	\$ 13	\$ 5	\$ 5

STONE GALEFORCE DIVIDEND GROWTH POOL

NOTES TO THE FINANCIAL STATEMENTS (continued)

(c) Performance fees including HST

See Note 4

	Performance fees paid for the period ended December 31, 2017	Performance fees paid for the period ended December 31, 2016	Performance fees payable as at December 31, 2017	Performance fees payable as at December 31, 2016
Stone GaleForce Dividend Growth Pool	\$ 84	\$ -	\$ 70	\$ 84

(d) Manager holdings

As at December 31, 2017, the Manager's executive staff held securities of the Pool with a fair value of \$68 (2016 – \$64)

8. ACCOUNTING STANDARD ISSUED BUT NOT YET ADOPTED

IFRS 9, *Financial Instruments* replaces IAS 39, *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after January 1, 2018, with early application permitted. IFRS 9 brings together three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Pool will adopt IFRS 9 for annual periods beginning January 1, 2018. Based on the Pool's business model and contractual cash flow characteristics, the Manager anticipates that all portfolio investments will continue to be measured at fair value. As the Pool does not apply hedge accounting and primarily all financial instruments are measured at fair value, the Manager expects no significant impact on the Pool's net assets and results of operations on adoption of IFRS 9.

NOTES

STONE GALEFORCE DIVIDEND GROWTH POOL

2017 Annual Audited Financial Statements

For the periods ended December 31, 2017 and 2016

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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