

## **STONE GLOBAL BALANCED FUND**

(formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND  
CANADA)

### **2017 Annual Management Report of Fund Performance**

For the period ended December 31, 2017



This annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1 800 336 9528; by writing to us at Stone Asset Management Limited, 40 University Ave., Suite 901, Toronto, Ontario, M5J 1T1; or by visiting our website at [www.stoneco.com](http://www.stoneco.com); or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

December 31 2017

### INVESTMENT OBJECTIVES

The investment objective of the Stone Global Balanced Fund (the “Fund”) is to provide investors access to a global balanced fund seeking capital appreciation and a steady stream of current income.

### INVESTMENT STRATEGIES

The Fund will generally invest approximately 60% of its assets in equity securities and 40% of its assets in fixed income securities, which weightings may vary from time to time.

The equity portion of the Fund’s assets will be allocated amongst the following three segments to achieve a diversified portfolio of common stocks:

- total-return stocks that seek to deliver a combination of capital appreciation and dividend income that trade on stock exchanges in North America.
- total-return stocks that seek to deliver a combination of capital appreciation and dividend income that trade on primary stock exchanges worldwide.
- growth-oriented stocks that primarily seek to deliver capital appreciation that trade on primary stock exchanges worldwide.

The fixed income segment will be invested in a diversified portfolio of sovereign debt securities and corporate obligations, which may include convertible securities. The fixed income portfolio will have the flexibility to allocate between developed markets in North American, European, Pacific and Emerging Market fixed-income securities.

### RISK

The overall long-term risk of the Fund is as described in the most recent simplified prospectus. No material changes occurred that would significantly increase the risk associated with an investment in the Fund during the period.

## RESULTS OF OPERATIONS

### Market Overview and Impact on the Fund

During the period, the Fund Manager enhanced a bias toward stable-growth and non deep-cyclical areas within North American markets overweighting technology, industrials and healthcare sectors and conversely underweighting energy, telecommunications and consumer sectors. Remaining underweight in the telecommunications and utilities sectors were a drag on performance even with the underweight exposure to utilities being reversed in the back half of the period to go overweight with an emphasis on secular growth from alternative and renewable energies. Remaining underweight energy was a positive contributor in the first half of the period, but by the second half, crude oil rose dramatically as a result of better-choreographed supply cuts and demand increases. An increasingly meaningful exposure to financials was the largest positive contributor to Fund performance. This was followed by positive contributions from the industrials and the healthcare sectors. While holding overweight allocations to these areas was a benefit, the most positive impact was a result of stock selection in both financials and healthcare and the weightings of these sectors increased slightly during the period. The largest detractors from a stock-selection standpoint resided in the consumer, energy and information technology sectors. Worst-performing businesses were expunged from these areas to be replaced with leading peers in their respective investment themes.

The geography of the Fund remained tilted toward the US as opportunities in some of our key secular themes were more compelling south of the border. This was a detractor from a currency perspective once the Bank of Canada changed its tune on the path of interest rates at the midpoint of the period. At the end of the period, the composition of the Fund changed with weightings in Stone Europlus Fund and Stone Global Growth Fund growing from 14.6% and 21.6% in 2016 to 18.7% and 26.4%, respectively. The increases in weight of these holdings are the result of strong performance. This follows the one-time rebalancing that took place in December 2016 where 5% of the portfolio that was allocated to fixed-income was reallocated to North American equities. The Fund Manager adjusted the portfolio to protect against fixed-income price risk. In 2014, The Fund participated in a monthly redemption of Stone Global Growth Fund units in the amount of \$625,000/month in order to re-align the respective weight in the investment funds category. Monthly redemptions of these units were concluded as planned in August 2016. These redemptions could be resumed periodically to maintain the proportional weight of the portfolio and to emphasize geographic exposure. The Fund seeks to maintain a weighted balance of 65% equities and 35% fixed-income after adjusting for the one-time fixed-income rebalancing.

Economic excitement continued into the second half of 2017 with strong economic and employment growth and relatively low inflation across much of the developed world. As many economies approach full employment central banks are beginning to slowly remove the extreme levels of monetary policy that has characterized the last decade. Shorter term bond yields are beginning to rise as a result of increasing expectations of more central bank action.

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## MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

Corporate bonds were in heavy demand despite Canadian gross issuance that reached a record in 2017 as investors remained focused on strong company fundamentals and the benefits of tax reform. The bond portfolio's preference for corporate bonds acted as a partial offset to rising rates as spreads continued to fall. Corporate duration fell in the portfolio during the second half of the year as corporate bond valuation metrics approached their richest levels in the last decade. As we move into 2018 the focus will be on the forces of rising inflation as the economy approaches full employment, and idiosyncratic opportunities will trump 'risk-on' investing and portfolio construction will be focused on down-side protection.

### Performance

The Fund's Series beat its blended benchmark during the period; this was attributed to strong performance from the investment funds offsetting negative currency impacts. Within asset allocation, outperformance was attributed to the fact that the Fund had a higher proportional weight assigned to Stone Global Growth Fund and Stone EuroPlus Fund which each gained 20.7% and 11.9%, respectively, during the period. Stock selection and asset allocation toward healthcare, financials and technology sectors were positive contributors to performance while underweighted exposures to utilities and telecommunications were detractors.

As a result the Fund's Series generated the following returns for the period.

AA	BB	FF	Series			
			L	T8A	T8B	T8C
8.0%	7.7%	8.9%	7.7%	8.1%	7.7%	7.7%

Any differences in performance returns between Series are primarily due to different management and operating fees that are applicable to a particular Series.

Please refer to "Past Performance" for details regarding the performance of the Fund's Series. The calculation of the Fund's Series performance takes into consideration all fees and expenses of the Fund, which are not applicable in the calculation of the benchmarks performance. The Fund's broad-based benchmark, the S&P/TSX Composite Index returned 9.1% over the same period. The comparison to this broad-based index is provided to enable you to compare the Fund's performance relative to that of the general market. A comparison to the Fund's blended benchmark, which is composed of 15% of the S&P/TSX Composite (Total Return) Index, 15% of the S&P 500 (Total Return) Index, 40% of the FTSE TMX Canada Universe Bond Index, and 30% of the MSCI World (Total Return) Index provides a comparison to a benchmark that is more reflective of the Fund's investment objective and strategy. The blended benchmark gained 8.6% over the same period.

### Change in Net asset value

Net Assets of the Fund decreased by 9.6% or \$8.8 million during the period, from \$91.4 million at December 31, 2016 to \$82.6 million at December 31, 2017. This change in Net Assets is attributed to net sales (redemptions) of (\$12.5) million, cash distributions of \$3.1 million and \$6.8 million to investment operations, including market appreciation (depreciation), income and expenses.

## RECENT DEVELOPMENTS

Please see "Results of Operations" for market-related developments. There are no known changes at this time to the manager, portfolio manager or the composition of the Independent Review Committee

On July 11, 2017 the security holders of the Fund approved changes to the Fund's fundamental investment objectives. A summary of the new and old investment objectives are summarized below:

New:

To provide investors access to a global balanced fund seeking capital appreciation and a steady stream of current income.

Old:

To provide superior investment returns combined with a steady stream of current income by investing primarily in Canadian equity and fixed-income securities.

Along with the approval of the changes to the fundamental investment objectives, the performance benchmark was also revised as per below:

New:

15% of the percentage gain or loss of the S&P/TSX Composite Index; plus

15% of the percentage gain or loss of the S&P 500 Index; plus

40% of the percentage gain or loss of the FTSE TMX Canada Universe Bond Index; plus

30% of the percentage gain or loss of the MSCI World Index.

Old:

40% of the percentage gain or loss of the S&P/TSX Composite Index; plus

20% of the percentage gain or loss of the S&P 500 Index; plus

40% of the percentage gain or loss of the DEX Universe Bond Index

On July 26, 2017, the Fund Manager announced changes to the Fund name from Stone & Co. Flagship Growth & Income Fund Canada to Stone Global Balanced Fund.

All changes became effect on August 22, 2017.

### Statement of Compliance

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

## RELATED PARTY TRANSACTIONS

Stone Asset Management Limited ("SAM") is the manager and portfolio manager of the Fund. SAM is a wholly owned subsidiary of Stone Investment Group Limited.

# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

In order to obtain foreign growth exposure, the Fund is invested in Series A securities of Stone Global Growth Fund and in Series A securities of the Stone EuroPlus Fund. The manager ensures there is no duplication of management and performance fees, if the Fund invests in another Fund managed by the manager.

### Fund Manager

As Fund Manager, SAM is responsible for managing the Fund's overall business and day-to-day operational services, as described under the headings "Management Fees" and "Operating Fees".

### Portfolio Manager

As Portfolio Manager, SAM is responsible for providing portfolio management services to the Fund.

Under the terms of the Investment Management Agreement, the Portfolio Manager is entitled to receive a performance fee (plus applicable taxes) from each Series of securities of the Fund equal to 10 percent of the amount by which the Fund's Series rate of return exceeds the return of the Fund's established benchmark since the last time a Performance fee was paid, multiplied by the Fund's average series Net Asset Value ("NAV") during the calendar year. Performance fees are limited to a maximum of 0.30 percent (plus applicable taxes) of the Funds' Series average Net Asset Value during the calendar year. Such fees are accrued monthly, if applicable, and paid annually.

### Management fees

The Fund pays a management fee, calculated daily and paid monthly, based on the following schedule:

Series	AA	BB	FF	L	T8A	T8B	T8C
Annual Fee (%)	2.0	2.5	0.95	2.5	2.0	2.5	2.5

The following table lists the major services received by the Fund, as a percentage of the Management Fee:

Series	AA	BB	FF	L	T8A	T8B	T8C
Dealer Compensation (%)	50	20	-	20	50	20	30
Investment and Fund Management (%)	50	80	100	80	50	80	70
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Operating fees

The Fund 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, administrative and overhead costs charged by SAM, and the Independent Review Committee of the Fund. Operating fees incurred by the Fund are allocated among the Series on a reasonable basis as determined by SAM.

At its sole discretion, the manager may waive management fees or absorb expenses of the Fund. The management expense ratios of each of the series of units of the Fund with and without the waivers and absorptions are reported in the Ratios and Supplemental Data table.

### Independent Review Committee

SAM has established the Independent Review Committee (the "IRC") for the Fund in accordance with the requirements of National Instrument 81-107 – Independent Review Committee for Investment Funds in order to review conflicts of interest as they relate to investment fund management.

The compensation and other reasonable expenses of the IRC are paid pro rata out of the assets of the Fund for which the independent review committee acts. The main component of compensation is an annual retainer. The Chair of the IRC is entitled to an additional fee.

# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## FINANCIAL HIGHLIGHTS

The following tables present selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the periods indicated.

### THE FUND'S NET ASSETS PER SECURITY<sup>1</sup>

Series	As at	Net assets, beginning of period <sup>2</sup>	Increase (decrease) from operations <sup>2</sup> (All figures in (\$))				Distributions <sup>2,3</sup>				Total distribution <sup>s</sup> <sup>3</sup>	Net assets, end of period	
			Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>2</sup>	Net investment income (excluding dividends)	Dividends	Capital gains			Return of capital
	Dec 2017	<b>18.47</b>	0.32	(0.34)	0.73	0.78	<b>1.49</b>	-	-	-	(0.02)	<b>(0.02)</b>	<b>19.93</b>
	Dec 2016	<b>18.56</b>	0.34	(0.34)	1.08	(1.11)	<b>(0.03)</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>18.47</b>
	Dec 2015	<b>17.15</b>	0.35	(0.33)	1.01	0.37	<b>1.40</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>18.56</b>
	Dec 2014	<b>15.96</b>	0.37	(0.31)	0.85	0.31	<b>1.22</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>17.15</b>
<b>AA</b>	Dec 2013	<b>14.03</b>	0.36	(0.31)	0.57	1.26	<b>1.89</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>15.96</b>
	Dec 2017	<b>17.79</b>	0.31	(0.39)	0.75	0.78	<b>1.45</b>	-	-	-	(0.02)	<b>(0.02)</b>	<b>19.13</b>
	Dec 2016	<b>17.94</b>	0.33	(0.39)	1.04	(1.19)	<b>(0.21)</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>17.79</b>
	Dec 2015	<b>16.63</b>	0.34	(0.37)	1.06	0.41	<b>1.44</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>17.94</b>
	Dec 2014	<b>15.55</b>	0.36	(0.37)	0.82	0.31	<b>1.12</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>16.63</b>
<b>BB†</b>	Dec 2013	<b>13.73</b>	0.36	(0.38)	0.55	1.30	<b>1.84</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>15.55</b>
	Dec 2017	<b>n/a</b>	n/a	n/a	n/a	n/a	<b>n/a</b>	n/a	n/a	n/a	n/a	<b>n/a</b>	<b>n/a</b>
	Dec 2016	<b>n/a</b>	n/a	n/a	n/a	n/a	<b>n/a</b>	n/a	n/a	n/a	n/a	<b>n/a</b>	<b>n/a</b>
	Dec 2015	<b>16.63</b>	0.23	(0.25)	0.87	0.03	<b>0.88</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>n/a</b>
	Dec 2014	<b>15.55</b>	0.36	(0.37)	0.81	0.40	<b>1.20</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>16.63</b>
<b>CC‡</b>	Dec 2013	<b>13.74</b>	0.36	(0.38)	0.55	1.21	<b>1.75</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>15.55</b>
	Dec 2017	<b>19.59</b>	0.34	(0.20)	0.73	0.77	<b>1.64</b>	-	-	-	(0.02)	<b>(0.02)</b>	<b>21.31</b>
	Dec 2016	<b>19.55</b>	0.36	(0.22)	1.12	(1.02)	<b>0.24</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>19.59</b>
	Dec 2015	<b>17.97</b>	0.36	(0.25)	1.03	0.33	<b>1.47</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>19.55</b>
	Dec 2014	<b>16.61</b>	0.38	(0.21)	0.88	0.30	<b>1.35</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>17.97</b>
<b>FF**</b>	Dec 2013	<b>14.53</b>	0.36	(0.25)	0.61	1.43	<b>2.16</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>16.61</b>
	Dec 2017	<b>13.96</b>	0.24	(0.31)	0.55	0.58	<b>1.06</b>	-	-	-	(0.02)	<b>(0.02)</b>	<b>15.01</b>
	Dec 2016	<b>14.08</b>	0.26	(0.31)	0.81	(0.83)	<b>(0.07)</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>13.96</b>
	Dec 2015	<b>13.06</b>	0.26	(0.30)	0.74	0.28	<b>0.98</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>14.08</b>
	Dec 2014	<b>12.21</b>	0.28	(0.29)	0.66	0.16	<b>0.81</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>13.06</b>
<b>L*</b>	Dec 2013	<b>10.79</b>	0.26	(0.29)	0.46	1.06	<b>1.49</b>	-	-	(0.02)	-	<b>(0.02)</b>	<b>12.21</b>
	Dec 2017	<b>7.52</b>	0.12	(0.13)	0.28	0.32	<b>0.59</b>	-	-	-	(0.60)	<b>(0.60)</b>	<b>7.51</b>
	Dec 2016	<b>8.21</b>	0.15	(0.14)	0.46	(0.46)	<b>0.01</b>	-	-	(0.31)	(0.35)	<b>(0.66)</b>	<b>7.52</b>
	Dec 2015	<b>8.19</b>	0.16	(0.15)	0.48	0.16	<b>0.65</b>	-	-	(0.19)	(0.47)	<b>(0.66)</b>	<b>8.21</b>
	Dec 2014	<b>8.25</b>	0.18	(0.15)	0.42	0.15	<b>0.60</b>	-	-	(0.19)	(0.47)	<b>(0.66)</b>	<b>8.19</b>
<b>T8A</b>	Dec 2013	<b>7.83</b>	0.19	(0.17)	0.31	0.70	<b>1.03</b>	-	-	(0.10)	(0.53)	<b>(0.63)</b>	<b>8.25</b>
	Dec 2017	<b>7.28</b>	0.12	(0.15)	0.28	0.32	<b>0.57</b>	-	-	-	(0.58)	<b>(0.58)</b>	<b>7.25</b>
	Dec 2016	<b>7.98</b>	0.14	(0.17)	0.45	(0.52)	<b>(0.10)</b>	-	-	(0.30)	(0.34)	<b>(0.64)</b>	<b>7.28</b>
	Dec 2015	<b>7.98</b>	0.16	(0.17)	0.49	0.20	<b>0.68</b>	-	-	(0.18)	(0.46)	<b>(0.64)</b>	<b>7.98</b>
	Dec 2014	<b>8.07</b>	0.18	(0.18)	0.41	0.16	<b>0.57</b>	-	-	(0.19)	(0.46)	<b>(0.65)</b>	<b>7.98</b>
<b>T8B†</b>	Dec 2013	<b>7.69</b>	0.19	(0.19)	0.30	0.68	<b>0.98</b>	-	-	(0.10)	(0.52)	<b>(0.62)</b>	<b>8.07</b>
	Dec 2017	<b>7.26</b>	0.12	(0.15)	0.28	0.30	<b>0.55</b>	-	-	-	(0.58)	<b>(0.58)</b>	<b>7.23</b>
	Dec 2016	<b>7.96</b>	0.14	(0.16)	0.45	(0.51)	<b>(0.08)</b>	-	-	(0.30)	(0.34)	<b>(0.64)</b>	<b>7.26</b>
	Dec 2015	<b>7.96</b>	0.16	(0.17)	0.49	0.18	<b>0.66</b>	-	-	(0.18)	(0.46)	<b>(0.64)</b>	<b>7.96</b>
	Dec 2014	<b>8.04</b>	0.18	(0.18)	0.41	0.16	<b>0.57</b>	-	-	(0.18)	(0.46)	<b>(0.64)</b>	<b>7.96</b>
<b>T8C‡</b>	Dec 2013	<b>7.66</b>	0.19	(0.19)	0.30	0.68	<b>0.98</b>	-	-	(0.09)	(0.52)	<b>(0.61)</b>	<b>8.04</b>

† Series closed to new purchases on December 4, 2009

‡ Series closed to new purchases on August 31, 2011. Series CC was re-designated to Series L on September 4, 2015.

\* Series opened on September 1, 2011.

\*\* Series F units were redesignated as Series FF units on September 7, 2012

### Explanatory Notes:

- This information is derived from the Fund's annual audited financial statements.
- Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/(decrease) from operations is based on the weighted average number of securities outstanding over the financial period. It is not intended that the Fund's net asset per security table act as a continuity of opening and closing net assets per security.
- Distributions were paid in cash and/or reinvested in additional securities of the Fund.

# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## FINANCIAL HIGHLIGHTS (continued)

### RATIOS AND SUPPLEMENTAL DATA

Series	As at	Total net asset value (\$000's) <sup>1</sup>	Number of securities outstanding <sup>1</sup>	Management expense ratio ("MER") (%) <sup>2</sup>	MER before waivers or absorptions (%) <sup>2</sup>	Trading expense ratio (%) <sup>3</sup>	Portfolio turnover rate (%) <sup>4</sup>	Net asset value per security (\$)
AA	Dec 2017	12,017	602,895	2.94	2.94	0.10	47	19.93
	Dec 2016	13,219	715,687	2.80	2.80	0.09	81	18.47
	Dec 2015	12,013	647,082	2.93	2.93	0.10	71	18.56
	Dec 2014	9,377	546,762	2.78	2.78	0.09	56	17.15
	Dec 2013	7,211	451,849	2.82	2.82	0.07	102	15.96
BB‡	Dec 2017	1,509	78,896	3.27	3.27	0.10	47	19.13
	Dec 2016	2,471	138,944	3.17	3.17	0.09	81	17.79
	Dec 2015	3,160	176,144	3.25	3.25	0.10	71	17.94
	Dec 2014	3,621	217,748	3.24	3.24	0.09	56	16.63
	Dec 2013	4,045	260,185	3.33	3.33	0.07	102	15.55
CC‡	Dec 2017	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Dec 2016	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Dec 2015	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Dec 2014	856	51,482	3.25	3.25	0.09	56	16.63
	Dec 2013	1,242	79,856	3.34	3.34	0.07	102	15.55
FF**	Dec 2017	7,963	373,720	2.14	2.15	0.10	47	21.31
	Dec 2016	6,062	309,494	2.10	2.10	0.09	81	19.59
	Dec 2015	3,051	156,053	2.43	2.43	0.10	71	19.55
	Dec 2014	1,430	79,571	2.10	2.10	0.09	56	17.97
	Dec 2013	864	52,069	2.35	2.35	0.07	102	16.61
L*	Dec 2017	4,075	271,530	3.29	3.29	0.10	47	15.01
	Dec 2016	4,662	333,994	3.19	3.19	0.09	81	13.96
	Dec 2015	4,363	309,899	3.28	3.28	0.10	71	14.08
	Dec 2014	2,594	198,661	3.24	3.24	0.09	56	13.06
	Dec 2013	1,289	105,592	3.35	3.35	0.07	102	12.21
T8A	Dec 2017	21,160	2,817,671	2.91	2.92	0.10	47	7.51
	Dec 2016	21,001	2,793,414	2.80	2.80	0.09	81	7.52
	Dec 2015	19,044	2,319,127	2.96	2.96	0.10	71	8.21
	Dec 2014	16,469	2,010,020	2.79	2.79	0.09	56	8.19
	Dec 2013	13,712	1,662,774	2.87	2.88	0.07	102	8.25
T8B†	Dec 2017	32,622	4,500,870	3.24	3.24	0.10	47	7.25
	Dec 2016	40,265	5,530,213	3.14	3.14	0.09	81	7.28
	Dec 2015	55,215	6,919,127	3.19	3.19	0.10	71	7.98
	Dec 2014	67,036	8,398,525	3.18	3.18	0.09	56	7.98
	Dec 2013	82,761	10,261,745	3.27	3.27	0.07	102	8.07
T8C†	Dec 2017	3,270	452,223	3.22	3.22	0.10	47	7.23
	Dec 2016	3,753	516,842	3.13	3.13	0.09	81	7.26
	Dec 2015	4,740	595,651	3.17	3.17	0.10	71	7.96
	Dec 2014	5,577	700,727	3.15	3.15	0.09	56	7.96
	Dec 2013	6,464	804,128	3.25	3.25	0.07	102	8.04

†Series closed to new purchases on December 4, 2009.

‡Series closed to new purchases on August 31, 2011. Series CC was re-designated to Series L on September 4, 2015.

\*Series opened on September 1, 2011.

\*\*Series F units were redesignated as Series FF units on September 7, 2012.

#### Explanatory Notes:

- This information is provided as at each period shown.
- Management expense ratio ("MER") for each series is based on total expenses (excluding distributions, commissions and other portfolio transaction costs), including the pro-rata share of expenses of any underlying Stone Funds, for the stated period and is expressed as an annualized percentage of daily average NAV during the period. For those Series' that had a performance fee, the MER excluding performance fees for the period ending December 31, 2015 was: 2.85% - Series AA; 2.21% - Series FF; 2.87% - Series T8A and 3.26% - Series L. December 31, 2013 was: 2.79% - Series AA; 2.13% - Series FF; 2.85% - Series T8A.
- The trading expense ratio represents total commissions and other portfolio transaction costs, of the Fund and the pro-rata share of any underlying Stone Funds expressed as an annualized percentage of daily average net asset value during the period.
- The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

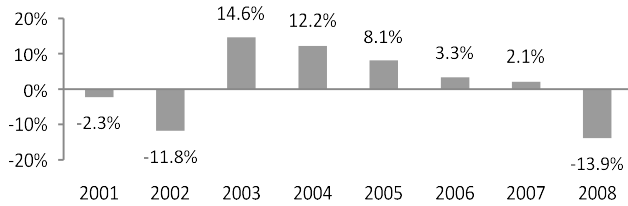
## PAST PERFORMANCE

### YEAR-BY-YEAR RETURNS

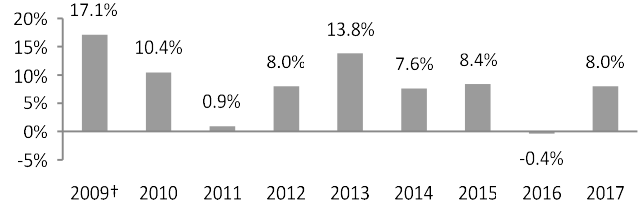
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or performance. Past performance of the Fund is not necessarily indicative of how it will perform in the future

The following charts present the Fund's performance for each of the periods shown and illustrate how the Fund's performance varied from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted.

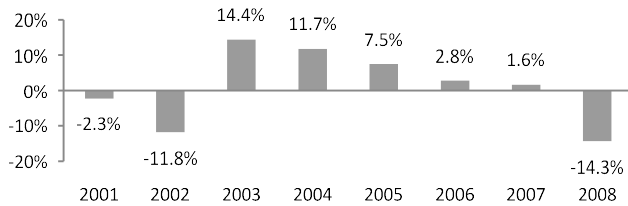
**Series A‡**



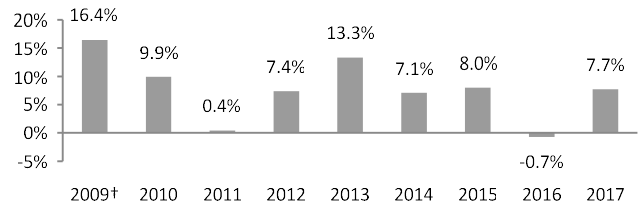
**Series AA**



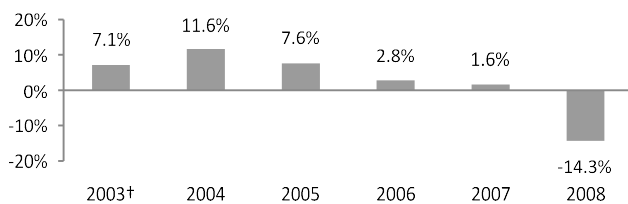
**Series B‡**



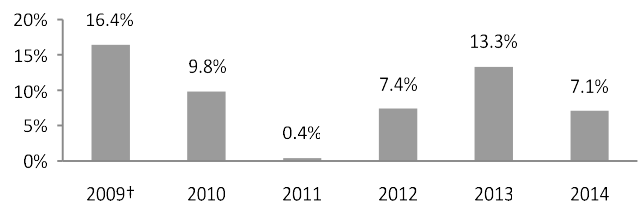
**Series BB**



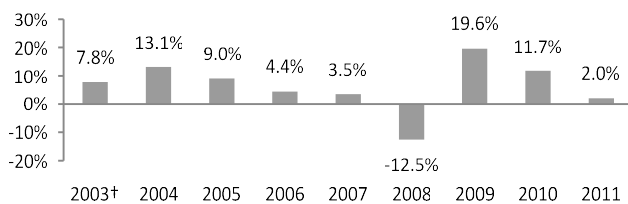
**Series C‡**



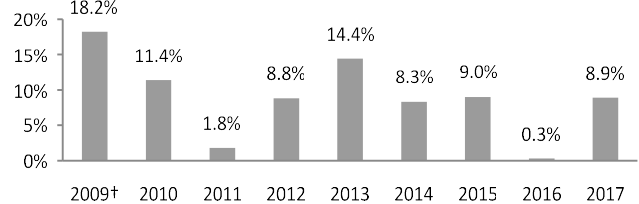
**Series CC\*\***



**Series F\***



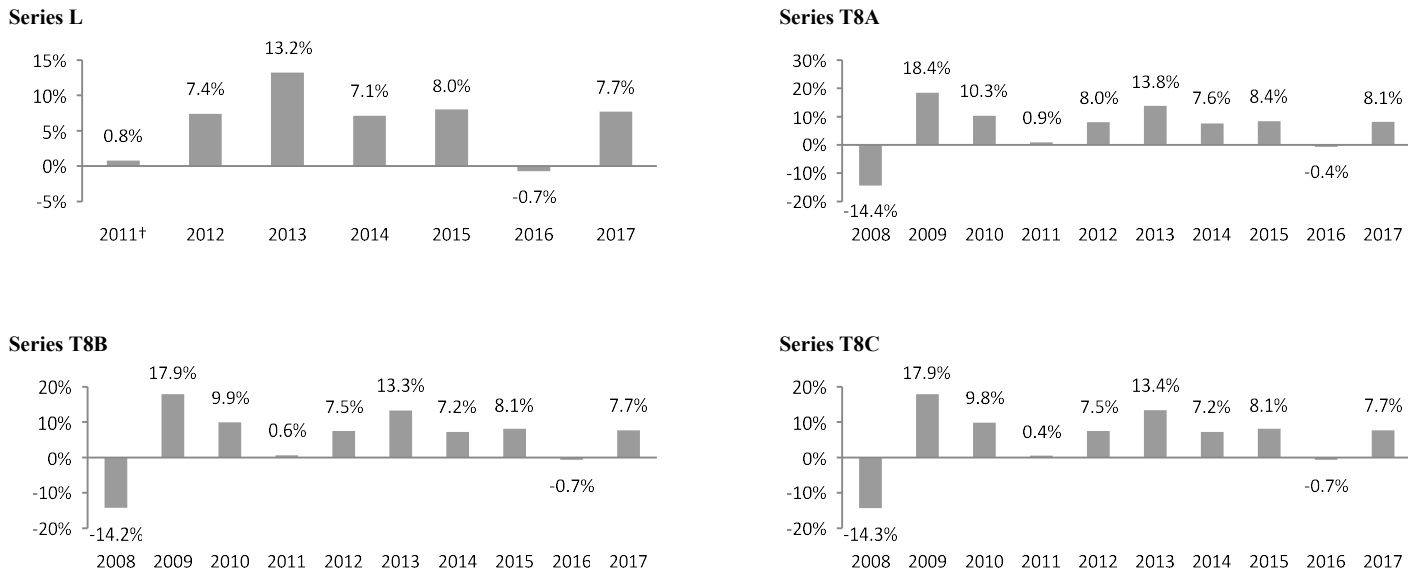
**Series FF**



# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## PAST PERFORMANCE (continued)

### YEAR-BY-YEAR RETURNS



† From inception to December 31 of that year.

‡ Effective December 4, 2009, Series A, B and C units were redesignated as Series T8A, T8B and T8C units, respectively. As these Series did not exist as of December 31, 2009, Year-by-Year returns for these Series are not presented for 2009 and onwards.

\* Effective September 7, 2012, Series F units were redesignated as Series FF. As this Series did not exist as of December 31, 2012, Year-by-Year returns for this Series is not presented for 2012 and onwards.

\*\* Effective September 4, 2015, Series CC units were redesignated as Series L. As this Series did not exist as of December 31, 2015, Year-by-Year returns for this Series is not presented for 2015 and onwards.



# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## PAST PERFORMANCE (continued)

### ANNUAL COMPOUND RETURNS

The following table shows the annual compound returns for each series of the Fund compared to the benchmark consisting of a 15% weighting of the S&P/TSX Composite (Total Return) Index, 15% weighting of the S&P 500 (Total Return) Index, 40% weighting of the FTSE TMX Canada Universe Bond Index, and 30% weighting of the MSCI World (Total Return) Index, and is expressed in Canadian dollars. The Fund performance is net of management fees, performance fees, administrative expenses ("MER") and portfolio transaction costs whereas the benchmark performance does not incorporate such costs

The S&P/TSX Composite Index is a broad economic sector index comprising approximately 70% of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. The S&P 500 Index is a float-adjusted index including 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. The FTSE TMX Canada Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market and consists of more than 1,000 securities, with a total market value of more than \$700 billion. The MSCI World Index is a float-adjusted market-cap weighted index made up of equities from 23 different developed countries around the world including the United States.

	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEAR (%)	SINCE INCEPTION (%)	INCEPTION DATE
Series AA	8.0	5.3	7.4	n/a	8.1	2008/12/31
Benchmark (new)	8.6	7.8	10.7	n/a	9.4	2008/12/31
Benchmark (old)	4.7	5.7	8.3	n/a	8.8	2008/12/31
Series BB	7.7	4.9	7.0	n/a	7.6	2009/01/05
Benchmark (new)	8.6	7.8	10.7	n/a	9.4	2009/01/05
Benchmark (old)	4.7	5.7	8.3	n/a	8.8	2009/01/05
Series FF	8.9	6.0	8.1	n/a	8.9	2009/01/05
Benchmark (new)	8.6	7.8	10.7	n/a	9.4	2009/01/05
Benchmark (old)	4.7	5.7	8.3	n/a	8.8	2009/01/05
Series L	7.7	4.9	7.0	n/a	6.8	2011/09/01
Benchmark (new)	8.6	7.8	10.7	n/a	10.2	2011/09/01
Benchmark (old)	4.7	5.7	8.3	n/a	7.9	2011/09/01
Series T8A	8.1	5.3	7.4	5.7	n/a	2007/09/01
Benchmark (new)	8.6	7.8	10.7	6.7	n/a	2007/09/01
Benchmark (old)	4.7	5.7	8.3	5.9	n/a	2007/09/01
Series T8B	7.7	5.0	7.0	5.4	n/a	2007/09/01
Benchmark (new)	8.6	7.8	10.7	6.7	n/a	2007/09/01
Benchmark (old)	4.7	5.7	8.3	5.9	n/a	2007/09/01
Series T8C	7.7	5.0	7.1	5.3	n/a	2007/09/01
Benchmark (new)	8.6	7.8	10.7	6.7	n/a	2007/09/01
Benchmark (old)	4.7	5.7	8.3	5.9	n/a	2007/09/01

A discussion of the Fund as compared to the Benchmark is found in "Results of Operations".

# STONE GLOBAL BALANCED FUND (formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

## SUMMARY OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2017

TOP 25 HOLDINGS		PORTFOLIO COMPOSITION	
Name of Security	% of Total Net Asset Value	Sector Allocation (%)†	
Stone Global Growth Fund, Series	26.4	Consumer Discretionary	5.0
Stone EuroPlus Fund, Series 'A'	18.7	Consumer Staples	6.7
Cash & cash equivalents	3.4	Corporate Bonds	23.1
Province of Ontario, 1.35%,	1.3	Federal Bonds & Guarantees	4.5
Bank of Nova Scotia	1.3	Financials	12.0
Government of Canada, 4.00%,	1.3	Health Care	8.1
Government of Canada, 5.75%,	1.2	Industrials	9.3
Province of Ontario, 4.65%,	1.2	Information Technology	13.3
Province of Quebec, Series 'B112',	1.2	Provincial Bonds & Guarantees	8.6
Province of British Columbia,	1.1	Miscellaneous‡	5.8
Royal Bank of Canada	1.1	Other net assets (liabilities)	0.2
ENMAX Corp., Callable, 3.81%,	0.9	Cash & cash equivalents	3.4
TELUS Corp., Series 'CG', Callable,	0.8		
Toronto-Dominion Bank	0.8	<b>Industry Allocation (%)†</b>	
Province of Ontario, 4.70%,	0.8	Banks	6.3
Ford Credit Canada Co., 3.35%,	0.8	Beverages	3.0
Province of Ontario, 2.90%,	0.7	Building Products	1.2
Bank of America Corp., Variable	0.7	Capital Markets	3.2
National Bank of Canada, 2.40%,	0.7	Chemicals	1.4
Enbridge Income Fund, Callable,	0.7	Commercial Services & Supplies	1.2
Bank of Montreal, Callable, 3.21%,	0.7	Corporate Bonds	23.1
PSP Capital Inc., Series '7',	0.7	Electrical Equipment	1.2
Canadian Imperial Bank of	0.6	Federal Bonds & Guarantees	4.5
Province of Quebec, 4.25%,	0.6	Food & Staples Retailing	1.0
Brookfield Asset Management Inc.,	<u>0.6</u>	Gas Utilities	1.1
	<b>68.3</b>	Health Care Equipment & Supplies	2.7
		Household Products	1.0
		Insurance	1.7
		Internet Software & Services	3.2
		IT Services	3.9
		Machinery	2.1
		Media	2.2
		Personal Products	1.0
		Pharmaceuticals	3.8
		Provincial Bonds & Guarantees	8.6
		Software	5.0
		Trading Companies & Distributors	1.0
		Miscellaneous‡	13.0
		Other net assets (liabilities)	0.2
		Cash & cash equivalents	3.4
		<b>Asset Allocation (%) †</b>	
		Bonds	36.1
		Equities	60.3
		Other net assets (liabilities)	0.2
		Cash & cash equivalents	3.4

This summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. Quarterly updates of the Fund's investment portfolio are available from the Manager at [www.stoneco.com](http://www.stoneco.com).

Prospectus and other information about the underlying Funds are available on the internet at [www.sedar.com](http://www.sedar.com).

†Note: The Manager has done a look-through on Sector, Industry and Asset allocations for the Stone Funds that are held in the portfolio as underlying investment Funds.

‡Note: Sectors and Industries representing less than 5% and 1% respectively of the portfolio are included in "Miscellaneous".



**STONE GLOBAL BALANCED FUND**  
(formerly STONE & CO. FLAGSHIP GROWTH & INCOME FUND CANADA)

**2017 Annual Management Report of Fund Performance**

For the period ended December 31, 2017

**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 Fund may invest and the risks detailed from time to time in the Fund's simplified prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respects to investing in the Fund, 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 Fund 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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