

STONE AMERICAN DIVIDEND GROWTH FUND
(formerly MARQUEST AMERICAN DIVIDEND GROWTH FUND)

2018 Annual Management Report of Fund Performance
For the period ended December 31, 2018



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; or SEDAR at 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 American Dividend Growth Fund (formerly Marquest American Dividend Growth Fund)

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

December 31 2018

INVESTMENT OBJECTIVES

The investment objective of the Stone American Dividend Growth Fund (the "Fund") is to provide investors with long term capital appreciation, by investing primarily in a portfolio of large cap, dividend paying equity securities listed on a U.S. stock exchange.

INVESTMENT STRATEGIES

In order to achieve the Fund's objective, investments will be made in a portfolio of securities whose returns, over time, are expected to exceed the S&P 500 Index on a total return basis, primarily in large cap equity securities listed on a U.S. stock exchange selected based on a bottom-up, fundamental approach for selection of issuers with durable growth prospects.

Investments will be made in companies when their current market price represents value relative to their long-term potential, and so long as it continues to offer attractive return potential.

The Fund may, from time to time, hold part of its assets in cash reserves or short-term fixed income investments as a result of a lack of attractive investment opportunities or to facilitate cash flows.

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

The US equity market was defined by two book-ends in 2018. January 2018 witnessed the blow-off stage of the 2017 stretch-for-growth phenomenon. That month's 5.0% price jump for the S&P 500 Index culminated a 15 consecutive month run that the S&P 500 put together following President Trump's election in November 2016. That phenomenon was fondly referred to as the "Trump bump". However, by December 2018, it had all turned around.

US share prices peaked by the third quarter of 2018 and were already showing signs of weakness as December approached. With the US mid-term elections out of the way, the stage had been set for the traditional year-end Santa Clause rally. Instead, a series of unforced errors by the President caused a complete reversal of fortune, and combined with tax loss selling, delivered one of the worst Decembers on record, evidenced by a 9.2% decline in the S&P 500 (US). The Trump bump had turned into the Trump slump.

Admittedly, world exchanges had already begun to show signs of weakness, reflecting a growth slow-down in many parts of the world. Against that backdrop of weaker world growth, the US economy has been a stalwart, with unemployment levels reaching a 50 year low of 3.7%. Throughout the year, interest rates had been on the rise to reflect the underlying strength of the economy. Trade tensions, most notably with China, rounded out the major economic considerations.

President Trump took several steps late in the year, that were perceived as a series of unforced errors. His Twitter announcement that the US would abruptly leave Syria against the advice of seasoned military leaders prompted high level resignations in protest. He attempted to lead the fiercely independent Federal Reserve (the "Fed") by suggesting that it should not raise rates in December, as had previously been telegraphed.

Then, he publicly mused of firing Fed Chairman Powell, after Powell hadn't succumbed to Trump's bully tactics on interest rates. Finally, Trump announced that he would proudly own a (futile?) government shutdown to force funding for a wall along the southern border. These apparent unhinged decisions only served to unsettle investors who were already digesting the prospect of a reduced rate of growth in corporate earnings in 2019.

As at December 31, 2018, the largest sectors of the Fund were Consumer Staples, Health Care and Financials, which individually exceeded 15.0% of the portfolio and in combination comprised 50.0% of the portfolio. These sectors are the stalwarts in a Dividend portfolio, however, both Consumer Staples and Financials sector weighted returns performed poorly along with Industrials, Materials and Energy.

Only Technology showed strong sector performance at 19.9%, in US dollar terms – the Fund being underweight here. Volatility in the fourth quarter offered opportunities to trim or sell shares of several companies and reinvest proceeds into other portfolio holdings that were overly depressed in price. Holdings in AT&T Inc. were trimmed on share price strength early in the quarter. Shares of Fluor Corp., a leading engineering and construction company, were added to the existing position, as well as Albemarle Corp.

In recent years, the US market has shown a sharp divergence between value and growth. Although the stretch for growth phenomenon seems to have reached a zenith early in 2018, the value sectors of the market have not yet assumed a leadership role. Many think that new leadership is necessary for the market to trend higher.

With the Technology sector facing stronger headwinds (regulatory and costs), investor sentiment may be ready to shift to sectors well represented in the American Dividend Growth Fund. The Fund's current sectors would be expected to participate nicely in a renaissance of value. Given the uncertainties facing investors, 2019 could be the year in which value returns to favour.

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MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

The partial hedge position remains in place, in recognition that the liabilities of the Canadian investors are in fact in Canadian dollars. Looking ahead to 2019, it appears that world oil production may be curtailed in order to achieve higher crude prices. And, an 8.7% forced production cut in Alberta has served to significantly narrow the differential between Western Canada Select and West Texas Intermediate prices.

Both of these events will benefit the Canadian dollar, as would a pause of interest rate increases in the US, which appears to be at hand. The (partial) hedge will prove to better protect the Fund's investors should the Canadian currency stage a rally on stronger oil fundamentals.

The sub-advisor is still encouraged by expectations for a growing US economy in 2019, in the order of 2.3% according to the Fed. Slowing growth still provides for a positive backdrop and should set the stage for another year of corporate earnings growth, somewhere within the range of 5-8%. Admittedly, there are a number of risks that could temper expectations, but a true economic slowdown would also allow the Fed to slow or reverse its current tendency to tighten monetary conditions.

And a credible trade deal with China would be a very welcome development for US corporations, which would almost certainly reverse negative investor psychology.

The sub-advisor expects a continuation of higher volatility for US stocks, thanks in part to the algorithmic trading by AI driven machines. This is likely to become a permanent phenomenon facing investors in the years ahead. But we embrace the up and down volatility, expecting it will enhance the opportunities for longer term thinking, and our style of investment management.

Performance

When all was said and done, investors witnessed a fourth quarter decline of 14% in the S&P 500 (US). Overall for the year, the Fund's benchmark S&P 500 returned (4.4)%, however, with a strengthening US dollar, returned 4.2%, in Canadian dollar terms, from a favourable currency gain of 8%.

The Fund's Series A performance of (8.1)% underperformed its benchmark by 11.8%, in Canadian dollar terms. As the Fund was significantly hedged throughout the year, the currency benefit of a stronger US dollar was muted.

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

Series	
A	F
(8.1)%	(7.0)%

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 benchmark's performance. The Fund's broad-based benchmark, the S&P/TSX Composite Index declined 8.9% 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 benchmark, the S&P 500 Composite (Total Return) Index, is more reflective of the Fund's investment objective and strategy. The benchmark gained 3.7% (in Canadian dollar terms) over the same period.

Change in Net asset value

Net Assets of the Fund decreased by 40.3% or \$10,070,202 during the period, from \$24,986,954 at December 31, 2017 to \$14,916,752 at December 31, 2018. This change in Net Assets is attributed to net sales (redemptions) of (\$7,200,599), cash distributions of \$1,626,683 and \$(1,242,920) to investment operations, including market appreciation (depreciation), income and expenses.

RECENT DEVELOPMENTS

Please see "Results of Operations" for market-related developments.

On December 6, 2018, Stone Asset Management Limited acquired the management contract of the Fund from Marquest Asset Management Inc.

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.

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.

Management fees

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

Series	A	F
Annual Fee (%)	2.00	1.00

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

Stone American Dividend Growth Fund (formerly Marquest American Dividend Growth Fund)

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

Series	A	F
Dealer Compensation (%)	50	-
Investment and Fund Management (%)	50	100
Total (%)	100	100

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 American Dividend Growth Fund (formerly Marquest American Dividend Growth Fund)

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 SECURITY¹

		Increase (decrease) from operations ² (All figures in (\$))						Distributions ^{2,3}					
Series	As at	Net assets, beginning of period ²	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations ²	From net investment income (excluding dividends)		Capital gains	Return of capital	Total distributions ³	Net assets, end of period
								Dividends	Dividends				
	Dec 2018	10.37	0.30	(0.43)	0.46	(0.92)	(0.59)	-	-	(0.15)	(0.74)	(0.89)	8.70
	Dec 2017	10.84	0.28	(0.32)	0.16	0.30	0.42	-	-	-	(0.90)	(0.90)	10.37
	Dec 2016	11.05	0.26	(0.34)	0.20	1.40	1.52	-	-	(0.22)	(0.68)	(0.90)	10.84
	Dec 2015	10.60	0.31	(0.34)	0.17	0.88	1.02	-	-	(0.03)	(0.63)	(0.66)	11.05
A†	Dec 2014	10.00	0.12	(0.10)	0.04	0.58	0.64	(0.02)	-	(0.04)	(0.12)	(0.18)	10.60
	Dec 2018	10.82	0.32	(0.33)	0.50	(1.01)	(0.52)	-	-	(0.14)	(0.74)	(0.88)	9.23
	Dec 2017	11.16	0.29	(0.21)	0.14	0.38	0.60	-	-	-	(0.90)	(0.90)	10.82
	Dec 2016	11.23	0.28	(0.21)	0.32	0.62	1.01	-	-	(0.22)	(0.68)	(0.90)	11.16
	Dec 2015	10.66	0.31	(0.21)	0.28	0.79	1.17	(0.12)	-	(0.09)	(0.45)	(0.66)	11.23
F‡	Dec 2014	10.00	0.07	(0.01)	0.01	0.62	0.69	(0.01)	-	(0.01)	(0.16)	(0.18)	10.66

†Series A securities were issued on September 9, 2014.

‡Series F securities were issued on August 15, 2014.

Explanatory Notes:

1. This information is derived from the Fund's annual audited financial statements.
2. Net assets and dividends 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.
3. Distributions were paid in cash and/or reinvested in additional securities of the Fund.

Stone American Dividend Growth Fund (formerly Marquest American Dividend Growth Fund)

FINANCIAL HIGHLIGHTS (continued)

RATIOS AND SUPPLEMENTAL DATA

Series	As at	Total net asset value (\$000's) ¹	Number of securities outstanding ¹	Management expense ratio ("MER") (%) ²	MER before waivers or absorptions (%) ²	Trading expense ratio (%) ³	Portfolio turnover rate (%) ⁴	Net asset value per security (\$)
	Dec 2018	14,534	1,670,842	3.62	3.62	0.04	25	8.70
	Dec 2017	24,404	2,353,073	2.70	3.24	0.03	19	10.37
	Dec 2016	29,729	2,742,159	2.78	3.70	0.12	16	10.84
	Dec 2015	4,366	395,139	2.63	5.59	0.09	23	11.05
A†	Dec 2014	759	71,592	2.33	30.66	0.12	139	10.60
	Dec 2018	383	41,467	2.47	2.47	0.04	25	9.23
	Dec 2017	583	53,896	1.67	2.01	0.03	19	10.82
	Dec 2016	622	55,676	1.64	2.19	0.12	16	11.16
	Dec 2015	365	32,514	1.58	3.36	0.09	23	11.23
F‡	Dec 2014	13	1,264	0.23	3.04	0.12	139	10.66

†Series A securities were issued on September 9, 2014.

‡Series F securities were issued on August 15, 2014.

Explanatory Notes:

1. This information is provided as at each period shown.
2. Management expense ratio ("MER") for each series is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the period.
3. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
4. 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.

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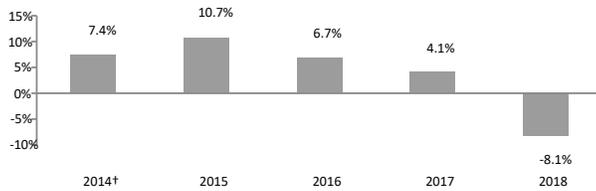
PAST PERFORMANCE

YEAR-BY-YEAR RETURNS

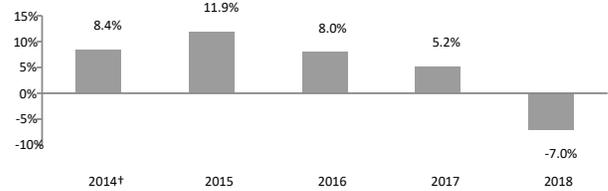
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or performance. 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 F



† From inception to December 31 of that year.

Stone American Dividend Growth Fund (formerly Marquest American Dividend Growth Fund)

PAST PERFORMANCE (continued)

ANNUAL COMPOUND RETURNS

The following table shows the annual compound returns for each series of the Fund compared to the S&P 500 (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 500 Index is a float-weighted index including 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities.

	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEAR (%)	SINCE INCEPTION (%)	INCEPTION DATE
Series A	(8.1)	0.7	n/a	n/a	4.4	2014/07/17
Benchmark	3.7	10.2	n/a	n/a	15.7	2014/07/17
Series F	(7.0)	1.8	n/a	n/a	5.7	2014/07/17
Benchmark	3.7	10.2	n/a	n/a	15.7	2014/07/17

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SUMMARY OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2018

TOP 25 HOLDINGS		PORTFOLIO COMPOSITION	
Name of Security	% of Total Net Asset Value	Sector Allocation (%)	
Cash & cash equivalents	4.1	Communications	10.2
JPMorgan Chase & Co	3.6	Consumer Staples	17.4
Bank of America Corp	3.2	Energy	8.4
Northern Trust Corp	3.2	Financials	15.8
State Street Corp	3.2	Health Care	16.3
Abbvie Inc	3.0	Industrials	10.0
Chevron Corp	2.9	Materials	7.1
Royal Dutch Shell PLC	2.8	Technology	9.6
Merck & Co Inc	2.8	Futures Contract	1.3
Pfizer Inc	2.8	Other net assets (liabilities)	(0.2)
Unilever PLC	2.8	Cash & cash equivalents	4.1
Novartis AG	2.7		
Walt Disney Co.	2.7	Industry Allocation (%)	
Exxon Mobil Corp	2.7	Banking	9.4
United Parcel Service Inc	2.7	Biotech & Pharma	16.3
Bristol-Myers Squibb Co	2.7	Chemicals	7.0
Anheuser-Busch InBev SA/NV	2.7	Consumer Products	10.0
Vodafone Group PLC	2.6	Electrical Equipment	5.1
HSBC Holdings PLC	2.6	Engineering & Construction Svcs	2.2
Nestle SA	2.6	Hardware	4.7
Cisco Systems Inc	2.6	Institutional Financial Svcs	6.4
Verizon Communications Inc	2.6	Media	2.7
Walmart Inc	2.6	Oil, Gas & Coal	8.4
Honeywell International Inc	2.5	Retail - Consumer Staples	7.5
ABB Ltd	<u>2.5</u>	Semiconductors	2.5
	71.2	Technology Services	2.4
		Telecom	7.5
		Transportation & Logistics	2.7
		Other net assets (liabilities)	(0.2)
		Cash & cash equivalents	4.1

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.

NOTES

NOTES

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For the period ended December 31, 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 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 respect 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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