

**STONE COVERED CALL CANADIAN BANKS PLUS FUND
(formerly MARQUEST COVERED CALL CANADIAN BANKS PLUS
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 Covered Call Canadian Banks Plus Fund (formerly Marquest Covered Call Canadian Banks Plus Fund)

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

December 31 2018

INVESTMENT OBJECTIVES

The investment objective of the Stone Covered Call Canadian Banks Plus Fund (the “Fund”) is to provide investors with dividend and option premium income and seek long term capital appreciation by investing in dividend paying securities in the Canadian financial sector and employing a covered call option writing strategy on certain of those securities.

INVESTMENT STRATEGIES

In order to achieve the Fund’s objective, the Fund expects to invest in a concentrated portfolio of ten or more dividend paying Canadian financial sector equity securities, the majority of which are commercial banks whose businesses consist of commercial lending operations, small and medium enterprise corporate lending, retail banking and wealth management.

In order to supplement the current income received from dividends paid on the Fund’s equity investments and mitigate some of the downside risk which would otherwise be experienced, the Fund will write covered call options on equity securities owned from time to time. The amount of covered call options sold by the Fund may vary.

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

Canadian Financials began the year where it left off in 2017, rising nearly 1.0% in January. Along with Technology, Financials was the only other sector to be in positive territory. This all changed starting at the beginning of February when markets slumped and volatility spiked. The effect was immediately felt in financials stocks which were down 3.2% for the month and, unfortunately, continued that way throughout the year ending the year down a surprising 9.3%.

The Big-6 Canadian bank stocks had their worst year since the Financial Crisis of 2008, falling by an average of 12 per cent, not including dividends, despite profit growth of 13% year-over-year. Canadian Imperial Bank of Commerce was the weakest of the big banks, declining 17 percent. This was a moderate detractor for the Fund, which had an overweight position in the name at 8.7% versus the benchmark at 7% weight.

The Fund’s weightings were well below the largest and best performing components of the benchmark, Royal Bank of Canada and Toronto-Dominion Bank which resulted in negative relative performance for the Fund. Another negative contributor was the Fund’s zero weight in Brookfield Asset Management, versus the benchmark at 7.2%.

Brookfield fared relatively better than it’s large-cap Financials peers in Canada ending the year down only 3%.

Other major detractors to Fund performance were overweight positions in non-Bank Financials Industrial Alliance Insurance & Financial Services Inc. and Power Financial Corp., which were down 25% and 21%, respectively. Positive detractors were in insurer Intact Financial Corp. where the Fund had an overweight position and the stock grossly outperformed its Financials peers.

The Fund Manager wrote options on the portfolio throughout the year as volatility levels for Canadian financial names increased near the end of the year. On December 6, 2018, Stone Asset Management Limited acquired the management contract of the Fund from Marquest Asset Management Inc. and began the process of adding new names with the intention of diversifying the portfolio away from heavy overweight positions in a small number of banks and insurers.

Performance

The Fund’s Series underperformed the broad-based benchmark, S&P/TSX Composite Index (down 8.9% for the year), and underperformed its benchmark, the S&P/TSX Financials Sector Index, over the same period.

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

Series	
A	F
(14.8)%	(13.4)%

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 benchmark, the S&P/TSX Financial Sectors Index declined 12.6% 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 provides a comparison to a benchmark that is more reflective of the Fund’s investment objective and strategy.

Change in Net asset value

Net Assets of the Fund decreased by 23.8% or \$2,487,594 during the period, from \$10,468,802 at December 31, 2017 to \$7,981,208 at December 31, 2018. This change in Net Assets is attributed to net sales (redemptions) of \$(1,026,658), cash distributions of \$28,243 and \$(1,432,693) 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.

Stone Covered Call Canadian Banks Plus Fund (formerly Marquest Covered Call Canadian Banks Plus Fund)

MANAGEMENT DISCUSSION OF FUND PERFORMANCE (continued)

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 (%)	1.65	0.65

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

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 Covered Call Canadian Banks Plus Fund (formerly Marquest Covered Call Canadian Banks Plus 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	Net investment income		Capital gains	Return of capital	Total distributions ³	Net assets, end of period
								(excluding dividends)	Dividends				
	Dec 2018	9.77	0.34	(0.33)	0.29	(1.67)	(1.37)	-	-	(0.31)	(0.05)	(0.36)	7.99
	Dec 2017	9.42	0.32	(0.21)	0.51	0.30	0.92	-	(0.05)	(0.43)	-	(0.48)	9.77
	Dec 2016	8.76	0.32	(0.19)	0.88	0.89	1.90	-	(0.08)	(0.81)	-	(0.89)	9.42
	Dec 2015	9.64	0.57	(0.19)	0.11	(0.81)	(0.32)	-	(0.10)	(0.37)	(0.02)	(0.49)	8.76
A†	Dec 2014	10.00	0.19	(0.04)	0.03	(0.15)	0.03	-	(0.06)	(0.18)	-	(0.24)	9.64
	Dec 2018	9.95	0.35	(0.23)	0.29	(1.70)	(1.29)	-	-	(0.32)	(0.05)	(0.37)	8.27
	Dec 2017	9.60	0.34	(0.10)	0.50	0.30	1.04	-	(0.13)	(0.48)	-	(0.61)	9.95
	Dec 2016	8.94	0.33	(0.09)	0.76	0.93	1.93	-	(0.13)	(0.89)	-	(1.02)	9.60
	Dec 2015	9.83	0.57	(0.09)	0.10	(0.83)	(0.25)	-	(0.13)	(0.31)	(0.15)	(0.59)	8.94
F‡	Dec 2014	10.00	0.23	(0.01)	0.05	(0.08)	0.19	-	(0.08)	(0.18)	-	(0.26)	9.83

†Class A units were first issued on September 16, 2014 at \$10.00.

‡Class F units were first issued on August 15, 2014 at \$10.00.

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 Covered Call Canadian Banks Plus Fund (formerly Marquest Covered Call Canadian Banks Plus 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	7,295	913,048	3.42	3.42	0.04	63	7.99
	Dec 2017	9,619	984,082	2.13	3.39	0.08	112.24	9.77
	Dec 2016	7,686	816,071	1.97	4.28	0.09	225.30	9.42
	Dec 2015	1,976	225,597	1.96	9.72	0.08	104.42	8.76
A	Dec 2014	276	28,634	0.78	55.88	0.12	244.11	9.64
	Dec 2018	686	82,993	2.37	2.37	0.04	63	8.27
	Dec 2017	849	85,374	1.00	1.59	0.08	112.24	9.95
	Dec 2016	493	51,305	0.92	2.01	0.09	225.30	9.60
	Dec 2015	245	27,362	0.95	4.72	0.08	104.42	8.94
F	Dec 2014	145	14,744	0.16	11.81	0.12	244.11	9.83

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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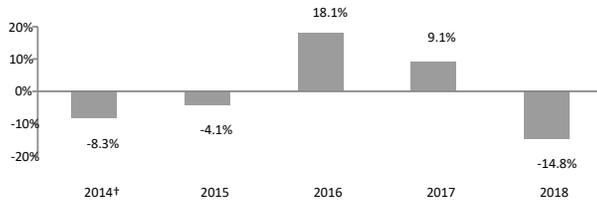
PAST PERFORMANCE

YEAR-BY-YEAR RETURNS

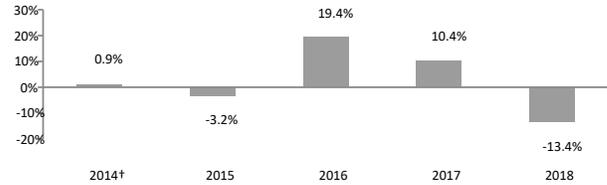
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or performance. 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 Covered Call Canadian Banks Plus Fund (formerly Marquest Covered Call Canadian Banks Plus Fund)

PAST PERFORMANCE (continued)

ANNUAL COMPOUND RETURNS

The following table shows the annual compound returns for each series of the Fund compared to the benchmark, S&P/TSX Composite Index Financials (Sector). The Fund performance is net of management fees, administrative expenses ("MER") and portfolio transaction costs whereas the benchmark performance does not incorporate such costs.

The S&P/TSX Composite Index Financials (Sector) encompasses a broad selection of large Canadian companies in financial services, real estate investment trust and insurance companies.

	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEAR (%)	SINCE INCEPTION (%)	INCEPTION DATE
Series A	(14.8)	3.2	n/a	n/a	0.9	2014/07/17
Benchmark	(12.6)	5.1	n/a	n/a	1.8	2014/07/17
Series F	(13.4)	4.5	n/a	n/a	2.4	2014/07/17
Benchmark	(12.6)	5.1	n/a	n/a	1.8	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 (%)	
		Financials	88.1
		Other net assets (liabilities)	0.2
		Cash & cash equivalents	11.7
Cash & cash equivalents	11.7		
Toronto-Dominion Bank	9.4		
Royal Bank of Canada	9.2	Industry Allocation (%)	
Bank of Nova Scotia	9.0	Banking	57.8
National Bank of Canada	8.9	Insurance	30.3
Canadian Imperial Bank of Commerce	8.7	Other net assets (liabilities)	0.2
Bank of Montreal	8.7	Cash & cash equivalents	11.7
Power Financial Corp	5.8		
Industrial Alliance Insurance & Financial Services Inc	5.7		
Great-West Lifeco Inc	5.6		
Intact Financial Corp	4.7		
Sun Life Financial Inc	4.7		
Manulife Financial Corp	3.9		
Laurentian Bank of Canada	<u>3.8</u>		
	99.8		

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.

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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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