

STONE MONTHLY PAY FUND
(formerly MARQUEST MONTHLY PAY 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 Monthly Pay Fund (formerly Marquest Monthly Pay Fund)

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

December 31 2018

INVESTMENT OBJECTIVES

The investment objective of the Stone Monthly Pay Fund (the “Fund”) is to provide investors with high investment returns by investing primarily in income producing securities such as income trusts, bonds, common and preferred shares.

INVESTMENT STRATEGIES

In order to achieve the Fund's objective, in respect of the equity component of the Fund's portfolio, investments are made based on an analysis of financial information of each potential investment to identify undervalued companies with improving fundamentals and high potential for price appreciation.

Other factors, including economic data, are used to identify business cycle trends. The Fund may invest up to 49% of net assets in foreign securities, may write covered calls and puts (secured by cash) to enhance income and may use derivatives and invest in other mutual funds. In respect of the fixed income component of the Fund's portfolio, investments are made based on an analysis of the yield curve to identify securities offering good relative value.

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 Fund was underweighted in several interest-sensitive sectors such as Communications and Real Estate. Utilities exposure of 19.5% was a negative as many of these interest-sensitive names have yet to recover from the weak 2018. The Fund's holdings include renewables companies and power producers.

Even though the Fund's energy weight was below the index (11.7% vs 17.8%), there were negative returns across the entire portfolio of names. All of the Fund's holdings were negatively affected by the fumbled Canadian government energy policy on pipelines and its negative effect on Canadian energy prices.

Hence, pipelines investments such as Enbridge Inc., TransCanada Corp. and Inter Pipeline Ltd., and Energy producer Whitecap Resources Inc. were down for the year.

Investments in the Industrials sector (11.4% weight vs 10.8%) also had negative performance as Canadian infrastructure projects were challenged by government policy.

The Fund was grossly underweight in the Financials sector with 17.3% vs 32.9%. Royal Bank of Canada and The Toronto-Dominion Bank, which had a combined weight of 7.8% compared to the Banking sub-index weight of 23.2%, were the only banks in the portfolio.

There was mixed performance in the Consumer Discretionary sector (9.5% weight vs TSX 4.3%). The Fund was negatively affected by its Cineplex Inc. holding while doing well with Park Lawn Corp.

Performance

The rising interest rate environment for most of 2018 had a negative effect on the performance of our dividend paying companies as they tend to be interest-sensitive and fall in price when interest rates rise.

Being underweight in defensive sectors such as Consumer Staples and Real Estate hurt the Fund's performance as investors flocked to the safety of these two sectors while the markets were tumbling in Q4 of 2018. Also, the TSX was boosted by a 12.5% return in the Technology sector, but since many of these names do not pay dividends, the Fund did not have any exposure to that sector.

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

Series	
A	F
(17.7)%	(16.6)%

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 Composite Index declined 8.9% over the same period.

Change in Net asset value

Net Assets of the Fund decreased by 42.0% or \$10,752,395 during the period, from \$25,624,223 at December 31, 2017 to \$14,871,828 at December 31, 2018. This change in Net Assets is attributed to net sales (redemptions) of (\$6,263,089), cash distributions of \$881,327 and \$(3,607,979) 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”).

Stone Monthly Pay Fund (formerly Marquest Monthly Pay Fund)

MANAGEMENT DISCUSSION OF FUND

PERFORMANCE (continued)

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	0.75

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 Monthly Pay Fund (formerly Marquest Monthly Pay 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

Series	As at	Net assets, beginning of period ²	Increase (decrease) from operations ² (All figures in (\$))					Distributions ^{2,3}				Net assets, end of period	
			Total revenue	Total expenses (excluding distributions)	Realized gains for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations ²	net investment income (excluding dividends)	Dividends	Capital gains	Return of capital		Total distributions ³
	Dec 2018	2.15	0.07	(0.09)	0.02	(0.34)	(0.34)	-	-	(0.03)	(0.21)	(0.24)	1.56
	Dec 2017	2.41	0.05	(0.09)	0.23	(0.24)	(0.05)	-	-	-	(0.24)	(0.24)	2.15
	Dec 2016	3.31	0.06	(0.11)	0.17	(0.15)	(0.03)	-	-	-	(0.90)	(0.90)	2.41
	Dec 2015	4.61	0.12	(0.14)	0.27	(0.63)	(0.38)	-	-	-	(0.90)	(0.90)	3.31
A	Dec 2014	5.43	0.20	(0.18)	(0.13)	0.15	0.04	-	-	-	(0.90)	(0.90)	4.61
	Dec 2018	3.13	0.11	(0.08)	0.04	(0.51)	(0.44)	-	-	(0.03)	(0.21)	(0.24)	2.40
	Dec 2017	3.35	0.08	(0.07)	0.31	(0.35)	(0.03)	-	-	-	(0.24)	(0.24)	3.13
	Dec 2016	4.18	0.08	(0.09)	0.29	(0.26)	0.02	-	-	-	(0.90)	(0.90)	3.35
	Dec 2015	5.50	0.14	(0.11)	0.28	(0.70)	(0.39)	-	-	-	(0.90)	(0.90)	4.18
F	Dec 2014	6.24	0.23	(0.12)	(0.15)	0.17	0.13	-	-	-	(0.90)	(0.90)	5.50

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 Monthly Pay Fund (formerly Marquest Monthly Pay 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	14,615	9,383,131	3.96	3.96	0.37	181.00	1.56
	Dec 2017	25,085	11,645,862	3.30	3.59	0.69	196.39	2.15
	Dec 2016	45,038	18,654,529	3.40	3.43	0.56	269.77	2.41
	Dec 2015	123,660	37,311,038	3.30	3.30	0.21	86.80	3.31
A	Dec 2014	189,240	41,087,920	3.31	3.31	0.13	45.30	4.61
	Dec 2018	257	107,302	2.55	2.55	0.37	181.00	2.40
	Dec 2017	539	172,499	1.91	2.08	0.69	196.39	3.13
	Dec 2016	972	290,384	2.07	2.08	0.56	269.77	3.35
	Dec 2015	1,665	397,829	1.96	1.96	0.21	86.80	4.18
F	Dec 2014	4,694	853,220	1.95	1.95	0.13	45.30	5.50

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.

Stone Monthly Pay Fund (formerly Marquest Monthly Pay Fund)

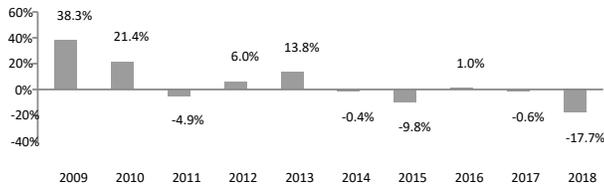
PAST PERFORMANCE

YEAR-BY-YEAR RETURNS

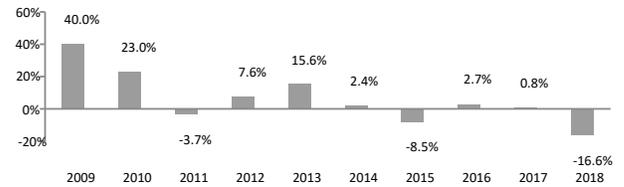
The performance information presented herein assumes all dividends of the Fund during the periods presented were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, or other charges that would have reduced returns or performance.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



Stone Monthly Pay Fund (formerly Marquest Monthly Pay 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 (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 the market capitalization for Canadian-based, Toronto Stock Exchange listed companies.

	1 YEAR (%)	3 YEARS (%)	5 YEARS (%)	10 YEAR (%)	SINCE INCEPTION (%)	INCEPTION DATE
Series A	(17.7)	(6.2)	(5.5)	3.8	n/a	2003/06/24
Benchmark	(8.9)	6.8	3.9	7.9	n/a	2003/06/24
Series F	(16.6)	(6.5)	(4.0)	5.1	n/a	2006/02/07
Benchmark	(8.9)	6.8	3.9	7.9	n/a	2006/02/07

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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	9.6	Communications	3.3
Brookfield Infrastructure Partners	5.5	Consumer Discretionary	9.5
Aecon Group Inc	5.2	Consumer Staples	4.1
Medical Facilities Corp	4.9	Energy	11.7
Royal Bank of Canada	4.2	Financials	17.3
Clearwater Seafoods Inc	4.1	Health Care	7.9
Enbridge Inc	4.0	Industrials	11.4
Brookfield Renewable Partners LP	4.0	Materials	5.8
Algonquin Power & Utilities Corp	4.0	Utilities	19.5
AG Growth International Inc	3.8	Other net assets (liabilities)	(0.1)
Toronto-Dominion Bank	3.7	Cash & cash equivalents	9.6
Exchange Income Corp	3.6		
Dream Global Real Estate	3.4	Industry Allocation (%)	
Brookfield Real Estate Services Inc	3.3	Banking	7.8
BCE Inc	3.3	Chemicals	3.2
TransAlta Renewables Inc	3.3	Consumer Products	4.1
Park Lawn Corp	3.2	Consumer Services	3.2
Nutrien Ltd	3.2	Engineering & Construction Svcs	5.2
Extencicare Inc	3.0	Health Care Facilities & Svcs	7.9
TransCanada Corp	2.9	Industrial Services	2.4
Inter Pipeline Ltd	2.8	Iron & Steel	2.7
American Hotel Income Properties	2.8	Machinery	3.8
Canadian Utilities Ltd	2.8	Oil, Gas & Coal	11.6
Cineplex Inc	2.7	Passenger Transportation	3.6
Russel Metals Inc	2.7	Real Estate	9.5
	<u>2.7</u>	Recreation Facilities & Svcs	2.7
	96.0	Telecom	3.3
		Utilities	19.5
		Other net assets (liabilities)	(0.1)
		Cash & cash equivalents	9.6

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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