

IRC GENERAL REPORT

Outlined below is the Independent Review Committee’s (“IRC”) Annual Report to Securityholders relating to the period from December 6, to the date of this report of those former Marquest funds whose management contracts were assumed by Stone Asset Management Limited (“Stone”), on December 6, 2019 as listed in the Appendix, (the “Funds”).

The role of the IRC is to review and to provide approval or recommendation in respect of conflicts of interest that arise between Stone’s own interests and Stone’s duty to manage the Funds in the best interests of the Funds. Stone is responsible for referring to the IRC any matters in which a reasonable person could view Stone as having an interest that may conflict with its ability to act in the best interests of the Funds. The IRC reviews each matter and provides its approval or recommendation as to whether the proposed course of action will achieve a fair and reasonable result for the Funds. The IRC has adopted a written charter that includes its mandate, responsibilities and functions, and the policies and procedures it will follow when performing its functions.

THE IRC MEMBERS AND COMPENSATION (Calendar Year 2018)

Member	Term	Compensation*
Ross MacKinnon (Chair)	July 31, 2019	\$17,500
John R. Anderson	April 30, 2019	\$15,000
David Crow	June 30, 2019	\$15,000

*The aggregate compensation paid to the IRC members for the calendar year ended December 31, 2018, was \$47,500 plus HST.

Each of the members of the IRC was appointed effective July 1, 2011 with terms as noted above. Mr. MacKinnon and Mr. Anderson are currently members of the IRC for Arrow Capital Management Inc. Mr. Anderson also serves as a member of the IRC for Marquest Asset Management Inc. These same members already serve on the IRC for the Stone Funds which have been existence since 1994 and their compensation above is for the IRC oversight of the existing Stone Funds as well as these former Marquest funds now managed by Stone.

The IRC reviewed its compensation giving consideration to the best interests of the Funds; the general and specific benefits accruing to the Funds and the number, nature and complexity of the Funds for which the IRC acts. The IRC compensation was allocated between the Funds in accordance with Stone’s expense allocation policy, which has been reviewed by the IRC. No indemnities were paid to the IRC Members by the Funds or Stone during the financial year.

Holding of Securities

As of December 31, 2018 the members of the IRC collectively beneficially owned, directly or indirectly, less than 10% of the securities of any of the Funds. As of December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, any securities of Stone or a company that provides services to the Funds.

IRC APPROVALS AND RECOMMENDATIONS

The IRC has approved certain Standing Instructions which permit Stone to proceed with the specific action set out in the Standing Instructions on an ongoing basis, without having to refer the Conflict of Interest Matters (“COIM”) or its proposed action to the IRC, provided that Stone complies with its terms and conditions. Stone provided written reports to the IRC describing its reliance and compliance with any terms and conditions on any Standing Instructions.

Matters for which the IRC gave Stone Standing Instructions regarding its Conflict of Interest Matters policies and procedures include:

1. Fund Operating Expense Allocation;
2. Trade Allocation;
3. Personal Trading by Employees;
4. Brokerage Policies (best execution and soft dollar arrangements);
5. Portfolio Valuation;
6. Correction of Errors;
7. Proxy Voting;
8. Short-Term Trading and Market Timing;
9. Appointment and Changes in Sub-advisors; and
10. Complaints.

Pricing Error – Stone Monthly Pay Fund

The IRC reviewed the Manager’s discovery of an error in the pricing of a Level 3 security in the portfolio of the Stone Monthly Pay Fund which originally occurred in November 2016 and the proposed resolution. Stone conducted the analysis in accordance with the IFIC Bulletin 22, and reported that final adjustments have been made for purchasers affected by such error with Stone contributing \$68,350 to the Fund as at March 26, 2019 to compensate the fund for redemptions affected by pricing error. The contribution by the Manager amounted to .48% of the Fund’s NAV at December 31, 2018 (prior to the corrected NAV as presented in the audited financial statements). The pricing error represented approximately \$.01 on the unadjusted net asset value per security for the Series A (\$1.57) and Series F (\$2.41). The IRC ratified the Manager’s proposed course of action to correct the NAV error as outlined above concurring the actions provided a fair and reasonable result for the Fund.

Termination of Certain Uneconomic Funds

Stone reviewed with the IRC, funds which due to their small size were uneconomic to continue, and the IRC concurred with Stone on the process and termination of these funds, and were presented with the estimated termination costs. The funds to be terminated are noted in the list of Funds in the Appendix.

Termination of Subadvisors

The IRC reviewed and concurred with Stone’s proposal to terminate subadvisors whose mandates overlapped with those already provided by Stone’s portfolio team. The portfolio advisory services provided by Seamark Asset Management Ltd. (Stone American Dividend Growth Fund) and Cassels Investment Management Inc.

(Stone Global Strategy Fund) will be assumed by Stone Asset Management Limited as portfolio manager.

Review of Level 3 valuations in terminating Funds

Stone presented several Level 3 portfolio holdings in the terminating Stone Canadian Resource Fund, having fair values which were contingent upon medium to long term fund raising efforts by these resource issuers with going concern matters, and hindered by unfavourable commodity prices (oil and precious metals). The IRC reviewed and concurred with Stone's assessment of writedowns reflecting liquidation values in order to effect an orderly termination of the Fund without incurring additional costs to defer termination, as recovery of further expenditures from these holdings are remote.

Sale of unsaleable Level 3 portfolio assets of Terminating Fund to an affiliate of the Manager

The IRC reviewed and concurred with Stone's recommendation that any such unsaleable, written down Level 3 portfolio holdings held by the Stone Canadian Resource Fund be approved to be sold for nominal consideration to an affiliate of the Manager, Stone Investment Group, to the extent such assets cannot be disposed to a third party. This will allow for the realization of taxable capital losses for the fund, and permit the wind-up of the mutual fund trust. As at

the date of this report, there remain two inactive private resource entities, and warrants in several listed junior exploration entities which expire after termination of the fund that are estimated to have nominal or nil value.

OTHER & ANNUAL ASSESSMENTS

The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation or where the Manager did not meet a condition imposed by the IRC in its recommendation.

The IRC conducted a self-assessment review during the calendar year. As a result of the self-assessment review, the IRC prepared a report to Stone which set out the results of the IRC's self-assessment review.

In accordance with the IRC's written charter, the IRC conducted an annual review of the following:

- the adequacy and effectiveness of Stone's written policies and procedures concerning conflicts of interest;
- the adequacy and effectiveness of the Standing Instructions provided to Stone; and
- Compliance with any conditions imposed by the IRC in a recommendation or approval provided.

APPENDIX

List of Stone Funds (formerly managed by Marquest Asset Management Inc.)

Open-end Mutual Funds

Stone Monthly Pay Fund [formerly Marquest Monthly Pay Fund]

Stone American Dividend Growth Fund [formerly Marquest American Dividend Growth Fund]

Stone Covered Call Canadian Banks Plus Fund [formerly Marquest Covered Call Canadian Banks Plus Fund]

Stone Global Strategy Fund [formerly Marquest Global Balanced Fund]

Stone Canadian Resource Fund* [formerly Marquest Canadian Resource Fund]

Stone Small Companies Fund [formerly Marquest Small Companies Fund]

Stone Canadian Bond Fund* [formerly Marquest Canadian Bond Fund]

Stone Money Market Fund* [formerly Marquest Money Market Fund]

Stone Monthly Pay Fund (Corporate Class)* [formerly Marquest Monthly Pay Fund (Corporate Class)]

Stone American Dividend Growth Fund (Corporate Class) [formerly Marquest American Dividend Growth Fund (Corporate Class)]

Stone Covered Call Canadian Banks Plus Fund (Corporate Class) [formerly Marquest Covered Call Canadian Banks Plus Fund (Corporate Class)]

Stone Short Term Income Fund* (Corporate Class) [formerly Marquest Short Term Income Fund (Corporate Class)]

** on January 14, 2019 Stone as Trustee and Manager of the Funds announced plans to terminate the noted funds with closures to occur on or about March 20, 2019.*

OTHER AND CONTACT INFORMATION

This report is available on Stone's website at www.stoneco.com, and filed on SEDAR or you may request a copy, at no cost to you, by contacting the Manager at 1 800 795 1142. For additional information please contact Stone Client Services at: 1 800 795 1142 or 416 867 8086

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